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ABSTRACT

A hearing before the subcommittee on labor standards was held to receive testimony on a bill, H.R. 2715, to amend Federal statutes to improve the effectiveness of job training programs in penal institutions. H.R. 2715, sponsored by Congressman Albert H. Quie of Minnesota, would permit the distribution in interstate commerce of goods produced by inmates who are paid not less than the prevailing minimum wages. Congressman Quie stated that the objectives of the bill are to provide prisoners with vocational training in fields which exist outside of prison and to pay them wages for the goods produced. Minnesota and other States are setting up prison work programs wherein private industry operates production components in correctional institutions and hires inmates as their work force. Such programs have been limited by the restriction of interstate sales of prisoner-produced goods because of unfair competition with private companies. The minimum-wage provision in H.R. 2715 would permit competitive wages and improve the marketability of the products. The higher wages paid to the prisoners would improve their motivation, productivity, and finances when released. This document includes the text of H.R. 2715, statements of Congressman Quie and persons involved in the Minnesota Prisons Work Program, and other prepared statements and supplemental materials. (MF)

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TO AMEND CERTAIN FEDERAL STATUTES TO ENHANCE THE EFFECTIVENESS OF JOB TRAINING PROGRAMS IN PENAL INSTITUTIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON LABOR STANDARDS

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

H.R. 2715

TO ALLOW THE DISTRIBUTION IN INTERSTATE COMMERCE OF GOODS PRODUCED BY PRISON INMATES WHO ARE PAID NOT LESS THAN THE PREVAILING MINIMUM WAGES AS DETERMINED FOR PURPOSES OF THE WALSH-HEALEY ACT

HEARING HELD IN WASHINGTON, D.C., ON JUNE 9, 1976

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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TO AMEND CERTAIN FEDERAL STATUTES TO ENHANCE THE EFFECTIVENESS OF JOB TRAINING PROGRAMS IN PENAL INSTITUTIONS

WEDNESDAY, JUNE 9, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LABOR STANDARDS OF THE
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m. in room 2257, Rayburn House Office building, Hon. John H. Dent (chairman of the subcommittee) presiding.

Members present: Representative Dent, Daniels, Zeferetti and Quie.

Staff present: Robert Vagley, staff director; Adrienne Fields; administrative assistant; Charles Sheerin, minority labor counsel.

Mr. DENT. The meeting will come to order.

It is my pleasure to convene the Subcommittee on Labor Standards this morning for the purpose of receiving testimony on a bill sponsored by our distinguished ranking member, Albert H. Quie. Congressman Quie's bill, H.R. 2715, seeks to amend certain Federal statutes to enhance the effectiveness of job training programs in penal institutions. In essence the proposal would permit the distribution in interstate commerce of goods produced by inmates who are paid not less than the prevailing minimum wages as determined for purposes of the Walsh-Healey Act.

We are fortunate to have as our witnesses the author of the bill, Congressman Quie, and persons who have a direct and substantive involvement in the prison work programs of the Minnesota Department of Corrections. They have come to Washington to inform us about the Minnesota experience with prison work programs and to discuss the proposal before us. We are very pleased to welcome them to the Nation's Capital.

Without objections, the bill will be reproduced at this point in the record.

[Text of H.R. 2715 follows:]

94TH CONGRESS
1ST SESSION

H. R. 2715

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1975

Mr. QUIE (for himself, Mr. FRASER, and Mr. FRENZEL) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To allow the distribution in interstate commerce of goods produced by prison inmates who are paid not less than the prevailing minimum wages as determined for purposes of the Walsh-Healy Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 85 of title 18, United States Code, is amended by adding immediately after section 1762 the following new section:

"§ 1763. Exemption of goods produced by prisoners paid not less than the prevailing minimum wages for similar work

"This chapter shall not apply to any goods, wares, or

merchandise manufactured or produced wholly or in part by convicts or prisoners within the United States if for the manufacture or production of such goods, wares, or merchandise they were paid not less than the minimum wages determined by the Secretary of Labor for purposes of the Act of June 30, 1936 (known as the Walsh-Healy Act), to be the prevailing minimum wages for persons employed on similar work or in the particular or similar industries or group of industries currently operating in the locality in which such manufacturing or producing occurred.".

(b) The table of sections for such chapter is amended by inserting immediately after the item relating to section 1762 the following new item:

"1763. Exemption of goods produced by prisoners paid not less than the prevailing minimum wages for similar work.".

SEC. 2. The first section of the Act entitled "An Act to divest goods, wares, and merchandise manufactured, produced, or mined by convicts or prisoners of their interstate character in certain cases", approved January 19, 1929 (49 U.S.C. 60), is amended—

(1) by inserting "(a) except as provided in subsection (b)," immediately after "That"; and

(2) by adding the following new subsection:

"(b) Subsection (a) shall not apply with respect to any goods, wares, or merchandise manufactured or produced wholly or in part by convicts or prisoners within the United

States if for the manufacture or production of such goods, wares, or merchandise they were paid not less than the minimum wages determined by the Secretary of Labor for purposes of the Act of June 30, 1936 (known as the Walsh-Healy Act), to be the prevailing minimum wages for persons employed on similar work or in the particular or similar industries or group of industries currently operating in the locality in which such manufacturing or producing occurred. No State may establish, continue in effect, or enforce any provision of law which would cause such goods, wares, or merchandise in interstate commerce to be treated differently than goods, wares, or merchandise otherwise identical except for having been manufactured or produced by individuals who were not convicts or prisoners.".

Mr. DENT. At this time I would like to introduce our colleague, Albert H. Quie, and to congratulate him for bringing this important matter to our attention.

STATEMENT OF HON. ALBERT H. QUIE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. QUIE. Thank you, Mr. Chairman. I appreciate your kind words and the indication you are aware of the need in this area. You know, we have been reading for some time about the problems that exist in the penalization and rehabilitation of people, and we know we are talking about an important part of this.

Moreover, we have been working in the full committee in the very important area of career education—the idea of having a job, something worthwhile and respected by other members of society. It helps one's own self-esteem as well.

I thank you for calling this hearing on H.R. 2715 and H.R. 4871. These are identical bills which would amend the existing Federal law to allow the distribution in interstate commerce of goods produced by prison inmates who are paid not less than the prevailing minimum wages as determined for purposes of the Walsh-Healey Act.

I introduced this legislation with the cosponsorship of three of our colleagues from Minnesota after learning of the new direction Minnesota corrections officials were embarking on in rehabilitation. The Minnesota program, which is of considerable interest to other States' corrections officials and the Federal Law Enforcement Assistance Administration, would bring private industry to the grounds of the State prison.

The objectives of this are to provide prisoners with vocational training in a field which exists outside the prison and to bring these people in- and out-of-prison opportunities, to manufacture or process goods, to establish a stable work force, and to pay wages to inmate workers.

The thrust of this program is to give inmates a positive experience during their incarceration which will better enable them to adjust to society and which will reduce a major underlying cause of recidivism.

Unfortunately, Federal law inhibits and limits this program because of certain prohibitions. Chapter 85 of title 18, United States Code, proscribes the interstate shipment of goods manufactured in whole or in part by convicts or prisoners and provides that such goods must be plainly and clearly marked to show, among other things, the name and location of the penal or reformatory institution where they are produced.

Moreover, 49 United States Code 60 divests such goods of their interstate—and hence protected—nature whenever they arrive in a State and allows for their treatment as if they were produced within the State. In order for the Minnesota rehabilitation program to succeed, a participating industry must be able to move its goods in interstate commerce and not have them treated in a discriminatory manner in a State where they may be sold.

The bills which are the subject of this hearing address this problem by leaving the existing provisions intact while exempting

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from their purview merchandise produced wholly or in part by prisoners who are paid not less than the prevailing minimum wages as determined for purposes of the Walsh-Healey Act.

This latter provision establishes a floor to ensure the integrity of private industry and labor outside the prisons of an easily ascertainable standard.

Mr. Chairman, I would like to introduce to you the witnesses who will give members of the subcommittee a thorough explanation of Minnesota's rehabilitation program and then answer the members' questions to this.

First is Mr. Kenneth Schoen, who is the commissioner of the Minnesota Department of Corrections. He is accompanied by Stanley Wood, who is a director of private industry and Mr. William Ward, who is the president of Stillwater Data Processing Systems, Inc.

Mr. DENT. Mr. Quie, the second bells are ringing for a call of the House. Why don't you and I go over before they begin so there will not be a break in their presentation. We will go over and vote and come right back.

[A brief recess was taken.]

Mr. DENT. The committee will now come to order.

Mr. Quie, you will present your witnesses as you see fit.

Mr. QUIE. I would like to have Mr. Schoen speak first, who is the commissioner, as indicated.

Mr. Chairman, because the Ethics Committee is meeting, and that is very important these days, as you know, I would like to excuse myself, if that is all right.

Mr. DENT. That is all right.

Mr. QUIE. Mr. Schoen can introduce the others. Mr. Wood will be next.

Mr. DENT. Mr. Schoen is the commissioner of the Minnesota Department of Corrections, accompanied by Stanley Wood. Do you want Mr. Wood to sit at the table with you, in case there are any questions the committee wants to ask? Your complete statement will be placed in the record at this point.

PREPARED STATEMENT OF KENNETH F. SCHOEN, COMMISSIONER, MINNESOTA DEPARTMENT OF CORRECTIONS

Oral Presentation

I. Introduction (Schoen: 1 min)
   A. Scope and techniques
II. Department Philosophy (Schoen: 3 min)
   A. Private Industry Task Force
   B. Advisory Board
   C. Industry Mission Statement
III. Private Industry Program Legislation (Schoen: 2 min)
   A. Need for legislation
   B. Present law we are operating under
IV. Advantages (Schoen: 1 min)
   A. Offender incentive for independence
   B. Develop work ethic
   C. Build up a financial base
   D. Share in cost of incarceration
   E. Maintain family

V. Prison Industries: Status Report (Wood: 2 min)
   A. Products
   B. Volume
      1. Wages
      2. Number of workers
   C. Problems
      1. Incentive wages
      2. Market restrictions
VI. Private Industry Program Development (Wood: 2 min)
   A. Company contacts—1,500–2,000
   B. Products and contracts
   C. Wages
   D. Number of workers
VII. Similar Programs (Wood: 2 min)
   A. L.E.A.A.
   B. ECON
   C. Other states
VIII. Competition (Wood: 1 min)
   A. Unions—conditions
   B. Reaction from big companies
      1. International Harvester
      2. John Deere
IX. Closing (Wood: 1 min)
   A. Other states
   B. Minnesota—more flexibility
   C. Improve all institutional work programs
   D. Pace setting private involvement
   E. Increased productivity under incentive plan

Written Report

I. Six pages of general statements, statistics and backup for oral presentation
II. Attachments
   A. Evaluation
   B. State law
   C. Private company lease
   D. Sample contract
   E. Mission Statement
   F. Summary sheets on product and pay to offender workers
   G. Grant
   H. Teamsters letter
   I. Data collection forms
   J. Others

H.R. 2715

The report presented here is offered in support of allowing interstate sale of inmate produced products providing that a competitve wage is paid to the offender. The narrative is supplemented with a number of attachments which illustrate progress, provides sample contracts, sites state legislation, describes research evaluations and shows support for the direction that Minnesota and other states are moving concerning institutional work programs.

The Minnesota Department of Corrections realizes that realistic prison work programs are essential to the operation of all adult correctional institutions. It is agreed that the work programs must involve more than an activity to keep offenders occupied, but rather, be a true reflection of "outside" industries in terms of level of activity, skill developing experience, instillment of a sound work ethic, and proper compensation. Offenders leaving an institution should: possess saleable skills; have participated in the cost of incarceration; have experience in working an eight hour workday; and have had the opportunity to develop a financial base for release.

Because offenders being released from institutions usually do not have the ability to acquire and hold a job or the means to maintain themselves until they receive a pay check, the Minnesota Department of Corrections has invited in private industry personnel to evaluate the existing prison work programs and have made it possible for private companies to set up and operate a production or service component within the confines of the institu-

tions. Exhibit A illustrates an evaluation of the Minnesota Correctional industry programs which was performed by private industry officials. The Task Force findings state that the short work day, low wages, methods of buying and restrictions on marketing, among other things, prevents institutional industry programs from paralleling private industry in terms of efficiency and effectiveness.

Exhibit B sites 1975 state legislation which allows private companies to operate on the grounds of corrections institutions and to hire offenders as their work force. Under the authority of existing legislation there are two private companies operating at the Minnesota State Prison. One company is providing food service and the other doing computer programming. Both companies are employing offenders and the workers are receiving above the minimum Federal wage scale. Exhibit C is a portion of the lease of property under which the computer company, Stillwater Data Processing Systems Inc., is operating.

At the Minnesota Metropolitan Training Center at Lino Lakes, the Department is contracting and subcontracting with a number of private companies to produce or perform a process for which the offenders are paid on a piece work arrangement. This piece work system allows the offender, both men and women, to earn in direct proportion to their level of productivity. Exhibit D is a sample contract between a private company and the Department at the Metropolitan Training Center.

Because of the findings of the Private Industry Task Force and the positive results of the pilot private industry programs operating at the institutions, the Department of Corrections has reevaluated its philosophy on the purpose of institutional work programs. Exhibit E illustrates the new Mission Statement of the Department for all work programs in the future. The Mission Statement describes a goal to have institutional work programs duplicate private industry so that a sound work ethic, offender independency, development of a financial base, maintenance of any dependent family and sharing in the cost of incarceration can be realized by all workers who choose to take advantage of that opportunity. The Mission Statement also supports offenders being assisted in acquiring jobs when released from institutions.

The new pilot programs now in operation represents jobs for only a small fraction of the offender work force. The vast majority of offenders work for "traditional" institutional run work programs that operate under a restricted work day, heavy competition for the offenders time, unrealistic material buying procedures, limited markets and a very low wage paid to the workers. Exhibit F describes institution work programs in terms of products, number of offender employees and wage levels. It is envisioned that the private industry program along with expanded markets will help to update all work programs available within the institutions.

To assist in bringing about necessary changes in institution work programs and to insure that these industries continue to improve to meet the Department goals, an Industry Advisory Board is being established. The board will be composed of personnel from private industry with individual expertise in managemaugt, marketing, engineering, personnel, legal affairs, and finance. Heavy indurstry, light industry, deversified industry, and large and small companies will be represented to insure a wide range of experienced viewpoints.

During the development stage of involving private companies in industry operation, over 1,500 companies have been directly contacted. Minnesota industries, the public and private organizations have been made well aware of the goals of the Department. With the improving economy, more and more private companies are willing to become involved in some phase of the program. Over twenty companies to date have been involved in either operating a work program within the institution or contracting or subcontracting with the Department for production.

Several foundations have contributed money to finance the development of realistic industrial operations.

L.E.A.A., through the Minnesota Crime Commission, has provided funds for the development of the private industry model. Exhibit G illustrates the funding level and goals for the Crime Commission grant.

Both the Minnesota AFL-CIO and the Teamsters Union have supported the new program and new legislation under conditions specified in Exhibit H.

Minnesota is not the only state which is revising institutional work programs and looking at ways to duplicate the productivity marketability and wage scales

of private industry. Connecticut, Pennsylvania, Illinois, Washington, Oklahoma, and other states along with Canada are viewing alternatives to traditional work programs.

L.E.A.A. has funded a program being developed by ECON Inc. of New Jersey and the American Foundation of Pennsylvania to assist the Connecticut Department of Corrections in developing a "Free Venture" work model.

It is apparent that a prime consideration in the restriction of interstate sale of inmate produced product was because of unfair competition with private companies. Under past practice, institutions were paying nothing or practically nothing for inmate labor and then attempting to sell the product competitively on the market. Under the proposed amendment, wages would be competitive, institutional work programs would be self supporting and it would represent fair competition.

The Minnesota Department of Corrections has contacted John Deere, International Harvester and other companies which produce farm machinery to see if the companies would be interested in taking over the production of the "Minnesota Line" (prison made farm machinery) or having the institutions produce directly for the private companies. The unanimous reply was that the institution production capabilities is so insignificant compared to private production that the companies are not concerned about the competition nor do they want to bother with absorbing the small production component.

Thus, while our operation of these industries does not offer direct competition to private industry, the higher wages paid to offenders in the new experimental programs directly and significantly affect the level of motivation and productivity of the workers and at the same time provide them with the necessary finances to phase back into society when released.

To monitor all aspects of the new program direction Minnesota has developed a computerized evaluation program to measure the effects. Information on private company involvement, product levels, inmate wages, charge back, state and Federal taxes, worker attitudes and performance, placement and follow-up are all being recorded and evaluated to determine effectiveness at the new direction. Exhibit I is a sample of the data collection forms to monitor the program.

It is the opinion of the Minnesota Department of Corrections that if institutional work programs are to reach their potential of returning offenders to society, that have the skills and means to become productive citizens, then to the degree possible, their industries must be operated similar to private industry operation with the same responsibilities and privileges of private companies.

KENNETH F. SCHOEN,
Commissioner.
STANLEY F. WOOD,
Director of Private Industry.

CONTROL DATA CORP.—PRISON INDUSTRY TASK FORCE REPORT

TASK FORCE MEMBERS

Elmer W. Kramer (Task Force Chairman), Vice President, Manufacturing and Quality Assurance, Peripheral Products Company.

Wallace W. Lindemann (General Manager, Microcircuits/Printed Circuits Division, Peripheral Products Company.

Byron W. Nelson, Manager, Portugal Operations, Magnetic Peripherals, Inc.

Robert C. Olson, Director of Manufacturing, Computer Manufacturing Division, Systems and Services Company.

Andrew J. Stanczak, General Manager, Personnel and Administration, Systems and Services Company.

Richard J. Thomas, Vice President, Operations Administration, Computer Systems Group, Systems and Services Company.

SECTION 1.—FINDINGS/IMPRESSIONS

1. *Stillwater*

The Task Force initially felt that the management staff associated with prison industries felt here was another group of businessmen who had no appreciation for the penal institution operation/constraints, etc. They were here to second guess performance, come up with a lot of suggestions/recommendations that would die on the vine just as had previous visits by various other groups.

After the presence of the commissioner at the initial meeting, the people began to warm up and the Task Force had the impression that the industry management staff felt this visit by outside people just might be worthwhile.

The people in sales and those running the day-to-day industry operations seemed very knowledgeable with their operation, but after lengthy discussions, the problem/constraints were surfaced. Listed below are what we feel are major problems, if experienced in private industry in attempting to operate a factory product line.

a. Work hours at Stillwater are not consistent from day to day or by individual inmate contribution.

b. Case workers have priority over industry work.

c. Lock ups by warden is "*all inmates*." Workers suffer along with "goof-offs" with regard to lock-ups.

d. Current incentive system of $.50 to $2.50 per day is not properly administered; goof-offs get rewards along with good workers. Wages appear to be relatively low and not much of a motivation.

e. Education takes priority over industry. Inmates are not properly classified or trained for industry assignments.

f. Meals are at convenience of staff (i.e. big meal at lunch. Early dinner is not conducive to industry scheduling).

g. Minnesota-Line industry has only one engineer—he may be good, but cannot cover all areas. We question how new products are designed and debugged then moved to production.

h. Prison industry is tied to central procurement and no flexibility in funds. Once the purchase order/money is committed, it is not available for other use in industry even though cancellation or stretch-out of purchase order is justified and funds would be freed up.

i. Minnesota-Line is a good product and the Task Force is amazed at the quality and volume of output with all the constraints. Factory layout is marginal (multi-story building creates some problems but we feel they can be coped with). Some equipment needs updating (i.e. foundry, machine tools, sheet metal equipment).

j. Cordage industry equipment is very old and obsolete. The multi-story building is less of a problem for this product line. It is unfortunate that this equipment has not been updated as there seems to be a significant amount of expertise in marketing this product.

k. Printing operations are currently located in an undersirable area. Printing operations do not belong in the midst of a general manufacturing area.

l. Stillwater building, although old, appears to be basically sound, but could use some modern improvements. Some equipment and work areas do not meet OSHA requirements.

m. Financial controls were not all that apparent as to costing of products, scrap, rework, inventory turns, predetermined standards, etc.

n. There appears to be a substantial market for all three industries products currently at Stillwater.

2. *St. Cloud*

People at St. Cloud were very cooperative and positive about the Task Force visit. Our general impression is that it appears more a vocational make-work atmosphere as opposed to an industry environment.

a. *License Plates*—Are completely over-staffed. Several make-shift jobs observed.

b. *Mattress Factory*—Low activity—again make-shift type work. No real layout of production—appeared more of a training environment.

c. *Wood-Working Area*—Best layed-out area. Could be real potential here.

d. *Upholstery Department*—Another department with potential, but again more of a training environment rather than production.

e. *Furniture Repair/Paint Area*—Very low activity. This area, even in private industry, is not an area where you see processes or production, but again, it appeared to be training-oriented.

f. *Print Shop*—Excellent equipment. Appeared to be under utilized.

3. *Lino Lakes*

Lino Lakes print operations and welding shop were similar to St. Cloud. They were more vocational than industrial oriented. The building structure is suited only to very light manufacturing such as printing type operations.

SECTION II.—RECOMMENDATIONS: RELOCATION/CONSOLIDATION OF INDUSTRIES

1. *Stillwater*

a. *Continue With Minnesota Farm Line:* Expand into other area—leisure time products, snowmobile/boat trailers, utility trailers. (1) Suggest subcontract to build these type of products for Farm Hand, Sears, Wards, etc. (2) Consider more state work (i.e. highway department signs, freeway lighting structures, guard rails, markers, snowfences). Update some equipment. Foundry No. 1 priority—modernize or abandon. Review product flow and relayout some areas to improve efficiency. Attempt to get as many related activities/processes on one floor as possible. Update material handling equipment and procedures.

b. *Relocate Printing Operations To Lino Lakes:* If decision is to retain some small printing operations for newspaper, etc., we suggest it be relocated to office-type area.

c. *Cordage Operation Investment Analysis Needed:* We definitely feel this operation cannot be continued with present equipment and hope to be cost effective or meet OSHA requirements. In view of the considerable background and experience in this area, it is suggested that a profitability analysis be made of the investment required to handle the new synthetic fibers before a decision is made to shut down this operation.

2. *St. Cloud*

a. *Relocate Print Operation To Lino Lakes:*

b. *Relayout License Plate Operation:* Add some material handling equipment and make minor layout changes in the stamping area. Set standards and eliminate excess personnel in this area. You also could pursue other type stamping operations for state needs (i.e., hospital trays, etc.).

c. *Identify Product For Woodworking Shop:* Plenty of equipment and room. No recommended changes to layout if all areas and equipment meet OSHA standards. Need to aggressively identify products. Excellent potential.

d. *Abandon Mattress Operations:* Unless there is more of a demand, we would recommend to abandon as an industry.

e. *Decide To Train Or Produce In Furniture Repair/Refinishing Area:* Could be production-oriented with all the captive "state" potential business. Sort out training vs. production. Establish definite workloads, leadtimes, completion dates and cost estimates.

f. *Decide To Train Or Produce In Upholstering Department:* Same recommendation as (e.) above. St. Cloud is less conducive to industry than Stillwater because of the younger inmates that are still in need of education and job training. A decision must be made as to whether vocational training is more important than industry.

3. *Lino Lakes—Centralized Printing For Prison Industry At Lino Lakes:* Make this facility the central industry printing operations. We feel because of its location, building structures, and the type of inmates (i.e., both male and female), it is more suitable for this type of industry.

SECTION III.—RECOMMENDATIONS: MANAGEMENT OF INDUSTRIES

1. *Management of industries*

a. *Charter:* Define a charter that is easily understood by all personnel involved in the industry program and those people who interface with the industry. Interpretation of charter conflict shall *always* be the responsibility of the Commissioner.

b. *Executive Management:* Assign one individual with total industry responsibility (no split responsibilities/duties) who reports directly to the Commissioner.

c. *Adopt Normal Industrial Day:* Establish consistent working hours in the industry. Prefer eight hours with appropriate rest/break periods (same as private industry). If eight hours is not feasible, run two shifts back-to-back. In other words, key the machine utilization a minimum of eight hours per day, five days per week.

d. *Improve Worker Classification:* Inmates orientation should include classification of the type of industry the inmate will be assigned to. As soon as new inmates have completed their orientation and are released to the industry work force, the industry work schedule will have priority over caseworkers, education, etc.

e. *Improve Industry Management Authority:* Industry management needs the authority to select and return deadwood/goof-offs back to the orientation people if they are not meeting minimum work output.

f. *Provide Industry Workers With Additional Privileges:* Industry Workers should be provided certain limited privileges which other inmates do not receive until they are released to the industry (i.e., separate cell blocks, after-hours access to case workers, library, canteen, educational classes, gymnasium). Create an atmosphere in which it is a privilege to work in industry and that there are other rewards besides monetary consideration (i.e. positive parole board recognition) if you are part of that group.

g. *Establish Incentive Recognition System:* Establish group and individual incentive recognition for out standing accomplishments. This area is *very sensitive even in private industry*, but is a motivator if everyone knows the rules and feels they are administered fairly to all participants. *Note:* If this is not feasible for inmates, consider it for *all* civilian industry people.

h. *Establish Better Standards:* Review all current standards for processes and/or job assignments. Make this standard visible to the inmates. It must approximate the real world expectations. Along with the individual or piece-part standards, you need to keep people informed as to your final product schedules/goals for the *week* and the *month*. Keep inmates and staff informed as to progress against these goals.

i. *Decentralize Procurement Activities To Industry Level:* Procurement activities to support a production environment must be located and managed at the factory where production is taking place. The day to day problems (i.e., part shortages, reject material, schedule changes ± etc.) along with a direct buyer/supplier relationship is an absolute must, in our opinion, and therefore must be an integral part of the respective industry.

j. *Formalize Forecasting Of Product Requirements:* This area needs to be more formal in supplying forecasts into final production requirements. We suggest the establishment of a monthly order forecast/scheduling review with a twelve-month rolling visibility. The following people should participate: factory management (including inventory/production control types), procurement people, engineering, and marketing. Assign a senior person to chair the meeting and assign action items with due dates as necessary to meet the industry objectives/goals.

k. *Improve Cost Accounting System:* The system seemed to be weak in the areas of reports which the Task Force could understand (such as material content by product, scrap costs by product, and labor content). Recommend you go to a standard costing system. Whatever you do, be consistent throughout the industries so you can compare performance.

l. *Review Industries Performance:* Monitoring/Reporting to the Commissioner on a monthly/quarterly basis. Monthly meetings should be held with the Commissioner with the following minimum in attendance: (1) Industry Manager; (2) Marketing/Sales Manager (from each industry); (3) Procurement Manager (from each industry); (4) Financial Manager (from each industry); (5) Factory Manager (from each industry).

The following subjects are what we view as minimum to be reported to the Commissioner.

1. *Marketing/Sales Manager*—a. Changes ± to previous forecasts; b. Customer complaints quality/delivery problems.

2. *Factory Management*—a. Scheduled position against production plans (if delinquent, present a catch-up plan); b. Performance against standards (productivity, efficiency by area; i.e., machine shop, foundry, subassembly, paint, final assembly, etc.); c. Scrap, rework against standards; d. Customer returns vs. shipments (quality index, etc.).

3. *Procurement Manager*—a. Report on open orders and the delinquencies; b. Total dollar commitment and how much is firm non-cancellable; c. Number of unplaced orders; d. Total dollars in stores, crib inventory by category (i.e., raw steel, paper, etc.); e. Total dollars in W.I.P.; f. Finish goods inventory.

4. *Financial Manager*—Give a total summary review combining some of the previous reports, but specifically to cover the following: a. Product costs vs. standards (product costs to include material content, labor content, scrap rework); b. Total dollars of finished goods by product; c. Burden rates by area within the respective industry; d. Building (occupancy costs——heat, light, etc—by industry); e. Major capital equipment expenditures or antici-

pated expenditures; f. Inventory—excess/obsolete and plans for disposal; g. Highlight any budget deviations.

Each of the above individuals *should also have projections* of their plans for next three months.

m. *Establish Advisory Council:* Recommend you have four to five people from private industry who would be willing to donate approximately one-half day every other month to sit in on your operations review to advise and counsel your industry management. These people should be senior management personnel with background in varying manufacturing industries, including one or two with financial backgrounds. Operating performance reports should be made available to the Advisory Council prior to the meetings. We suggest a commitment of eighteen months from these private-industry executives to provide continuity in your overall programs. An Advisory Council Charter should be established.

TASK FORCE CONCLUSIONS

The three locations we visited and some of the industries within each location all appear to have potential. Because of the separate locations and what appears to us as dual responsibilities of some of the industry staff, you cannot hope to be competitive to the real world in costs, labor performance, job satisfaction unless changes are made to provide better visibility to the Commissioner.

The changes we have recommended are what we consider a minimum and could be implemented with the addition of one production engineer, two cost accountants, and the executive manager of industries.

Minnesota Statutes 1975 Supplement, section 243.88

243.69 MINNESOTA CORRECTIONS AUTHORITY; ADULTS

The commissioner may prescribe in behalf of or in the supervision of those persons described in subdivision 2. In addition, every agent or person shall act under the orders of the Minnesota corrections authority or the commissioner in the supervision of those persons conditionally released as provided in subdivision 1. Agents shall provide asistance to conditionally released persons in obtaining employment, and shall conduct relevant investigations and studies of persons under supervision upon the request of the commissioner or the authority.

[1975 c 304 s 4,5]

243.88 Private industry on grounds of correctional institutions

Subdivision 1. Notwithstanding the provisions of any law to the contrary, the commissioner of administration, with the approval of the governor, may lease one or more buildings or portions thereof on the grounds of any state adult correctional institution, together with the real estate needed for reasonable access to and egress from the leased buildings, for a term not to exceed 20 years, to a private corporation for the purpose of establishing and operating a factory for the manufacture and processing of goods, wares or merchandise, or any other business or commercial enterprise deemed by the commissioner of corrections to be consistent with the proper training and rehabilitation of inmates.

Subd. 2. Any corporation operating a factory or other business or commercial enterprise under this section may employ selected inmates of the correctional institution upon whose grounds it operates and persons conditionally released subject to the provisions of section 241.26. Persons conditionally released as provided in this subdivision shall be deemed to be parolees within the purview of 49 United States Code, Section 60.

Except as prohibited by applicable provisions of the United States Code, inmates of state correctional institutions may be employed in the manufacture and procesing of goods, wares and merchandise for introduction into interstate commerce, provided that they are paid no less than the prevailing minimum wages for work of a similar nature performed by employees with similar skills in the locality in which the work is being performed.

[1975 c 304 s 6,7]

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[For text of subds 3 and 4, see M.S. 1974]

CHAPTER 245. DEPARTMENT OF WELFARE

Sec.
245.62 Community mental health program; tax levy.
245.63 Assistance or grant.
245.66 Community mental health boards.
245.69 Additional duties of commissioner.
245.90 Court awarded funds, disposition. [*New*]

245.62 Community mental health program; tax levy

Any city, county, town, or any combination thereof, of over 50,000 population, and upon consent of the commissioner of public welfare, any city, county, town or combination thereof with less than 50,000 population, may establish a community mental health services program and may establish clinics and staff same with persons specially trained in psychiatry and related fields. Such programs and clinics may be administered by a city, county, town, or non-profit corporation or a community mental health board established pursuant to sections 245.61 to 245.69. After June 30, 1977, each community mental health services program must be contained completely within the boundaries of one Minnesota economic development region except that a community mental health board may encompass completely two Minnesota economic development regions.

LEASE

THIS AGREEMENT is made and entered into by and between the STATE OF MINNESOTA, Department of Administration acting in behalf of the DEPARTMENT OF CORRECTIONS, hereinafter called the LESSOR, and STILLWATER DATA PROCESSING SYSTEMS, INC., hereinafter called LESSEE.

WHEREAS, the Department of Corrections has under its control and supervision the property known as the Minnesota State Prison at Stillwater, Minnesota, 55082, part of which is surplus to the needs of the Minnesota State Prison, and the Department of Corrections, and

WHEREAS, the LESSEE, a private non-profit organization incorporated under the laws of the State of Minnesota, has a need for said premises for the purpose of providing computer programming and related electronic data processing, vocational education, training in general business skills and management education, and employment opportunities for prison inmates.

NOW THEREFORE:

1. *DEMISE OF PREMISES; TERM*

1.1 In accordance with the Minnesota Statutes 1974, Section 243.88 Subdivisions 1 and 2, as amended, and in consideration of the covenants, conditions, and obligations of this Agreement to be kept and performed, the LESSOR shall grant unto the LESSEE a lease for the term of one (1) year of one of the following described premises in the County of Washington, to-wit:

A. Approximately One Thousand One Hundred and Forty (1,140) square feet of net usable floor area, comprising the "Quiet Wing" area of the Health Services Building.

B. Approximately One Thousand One Hundred Forty (1,140) square feet of net usable area, comprising the "Therapy Wing" area of the Health Services Building.

C. Approximately One Thousand Five hundred (1,500) square feet within the square known as the Canteen area.

D. Approximately One Thousand Five Hundred (1,500) square feet within the space known as the "C" Annex.

to be used for conducting business of the LESSEE as noted herein. The premises are shown outlined in red on the drawings attached hereto, Exhibit "A" through "D" and made a part of this lease.

THIS AGREEMENT, made and entered this 10th day of May, 1975, by and between the State of Minnesota acting by and through its Commissioner of the Department of Corrections, party of the first part, hereinafter called the Department, and Claggett Aircraft Products, Inc., a Minnesota Corporation, party of the second part, hereinafter called the Company.

WITNESSETH:

WHEREAS, the Commissioner of the Department of Corrections of the State of Minnesota is authorized by Minnesota Statutes, Section 243.61, to contract

with private parties for the manufacturing or processing of articles under the "piece price" system, provided that the materials are furnished by the private party, and

WHEREAS, the Company is willing to enter a contractual agreement with the Department for the manufacture or processing of oak block cutouts to serve as "bulk heads" inside light aircraft float struts,

NOW THEREFORE, IT IS AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

I. The Commissioner of the Department of Corrections will:

1. Permit the Company and its duly authorized officers, agents and employees necessary ingress and egress to and from the Minnesota Metropolitan Training Center at Lino Lakes, Minnesota for all purposes necessary and incident to the conduct of the manufacturing processes covered by this Agreement.

2. Provide necessary space, equipment, utilities and manpower from the inmate body at the Minnesota Metropolitan Training Center for the manufacture and processing of oak block cutouts to serve as "bulk heads" inside light aircraft float struts.

3. Provide necessary supervision and security for the areas set aside for the manufacturing processes covered by this Agreement.

II. The Company will:

1. Supply and deliver the necessary oak lumber

2. Supply and deliver the templates and tolerance gauges necessary for quality control

3. Pick up the finished product

4. Pay to the Department at such times as may be agreed upon the sum of thirty (30¢) cents for each unit produced under this Agreement

IT IS FURTHER AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. Production of the hereinbefore described product will begin May 10, 1975 and continue until 1,000 units have been produced.

2. The work force provided by the Department from the adult inmate population at the Minnesota Metropolitan Training Center at Lino Lakes will (a) trace the design on the lumber; (b) cut out the general outline; (c) machine sand the parts to fit the tolerance gauge; (d) maintain quality control as specified by the Company.

3. After the production and delivery of 1,000 units this Agreement may be continued or revised as deemed necessary by the parties.

IN WITNESS WHEREOF THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED THE DAY AND YEAR FIRST ABOVE WRITTEN.

Approved as to form and execution:

WARREN SPANNAUS,
Attorney General,
State of Minnesota
By: JAMES BRADFORD
Assistant Attorney General

STATE OF MINNESOTA
DEPARTMENT OF CORRECTIONS,
WILLIAM J. MCGRATH,
Director.

CLAGGETT AIRCRAFT PRODUCTS, INC.
ROBERT T. CLAGGETT,
Secretary

Vice President.

MISSION STATEMENT FOR INSTITUTION WORK PROGRAM

INTRODUCTION

The Minnesota Department of Corrections recognizes that meaningful work is a fundamental and desirable activity in all institutions. The nature of that work activity, its perceived purpose, priority, and benefits, obviously has changed over the years and varies appreciably from institution to institution.

Research and evaluation of many industry programs and input from private industry, legislators and labor unions have assisted the Department in identifying a number of factors which will set the direction for prison work programs in the future.

1. The Purpose of Institution Work Programs

The major purpose of prison work programs should be to develop a sound work ethic within the offender, so that positive work attitudes and habits will transfer to post institutional employment. This can most effectively be accomplished by duplicating the standard eight-hour industry work day and involving a comparable level and variety of work experiences to that found in the civilian labor market.

2. Compensation for Work in Institution Work Programs

Another objective of prison work programs is to help prepare the offender to reenter society as a productive citizen. This transition is dependent upon a variety of factors; economic stability is of primary importance. An offender must have the financial means to exist on the street until employment is secured and returns from that employment are realized. Compensation for prision work should, therefore, parallel that compensation for similar production on the street to the degree possible. Wages to the offender should be a true reflection of his productivity and should allow the offender to maintain as many normal citizen related functions and obligations as possible.

3. Inmate Responsibility and Charge Back

Since a primary purpose of the correctional institution is to return to society a self-supporting and well-adjusted individual, it follows that responsibility and independence are desirable outgrowths from the prison work programs. The offender should, therefore, participate in the cost of his support.

Offender workers being paid competitive wages should, therefore, automatically pay taxes and retirement insurance from the wages. Since basic rent, food, and laundry are also normal responsibilities, it is envisioned that an appropriate charge back scale be established to reflect those costs. Custody or security is demanded by society and since it is not a normal outside expense, should not be charged to the offender worker.

Family support and restitution to victims will require individual negotiation with each offender.

Savings for release are now required in an unrealistically small quantity. A savings or investment plan should be required to meet the offender's needs for a reasonable period after release. The offender's savings should be protected, (i.e., earmarked for his release to a minimum of $1,500), before legal claims are instituted.

4. Placement and Follow-up

Prison work programs must strive to provide work experience which will transfer to outside employment. Records of work activity, worker skills, and worker attitudes should be made available to the placement unit to assist in developing outside employment plans.

MINNESOTA STATE PRISON—MEMORANDUM

To: Howard J. Costello, assistant commissioner.
From: D. G. Tomsche, A/W administration and industry.
Regarding: Washington subcommittee report.

JUNE 3, 1976.

On May 27, 1976, you asked that I supply you with information in regard to a Sub-Committee on Labor Standards meeting which will be held June 9, 1976.

On June 1, 1976, I contacted Stan Wood who provided me with a general outline of the items that he will cover in his meeting with the sub-committee. He asked that I specifically address myself to two items on his outline, a copy of which is attached; namely, No. 2 and No. 6.

No. 2—The Industrial Program at the Minnesota State Prison had its beginning in 1891 via an appropriation of $250,000 to a newly established Industrial Revolving Fund. The principal product to be manufactured was binder twine. Since then, the industry expanded and in 1930 rope and ply goods were added, and in 1941 binder twine was added to the Cordage line. The principal products manufactured at the present time in our Cordage Industry are rope and ply goods. These are merchandised throughout the State of Minnesota via rope jobbers and mill agents, and a portion of them is sold through our farm implement dealer organization.

The Farm Machinery Industry had its beginning in 1908 and the Print Shop was added to the Industrial Revolving Fund in 1939.

The principal products now manufactured in our Farm Machinery Industry are manure spreaders, farm wagons, gravity boxes, a 2-wheel trailer, and fence posts.

The Print Shop, once a viable segment of our Industrial Program, will be transferred to the Minnesota Metropolitan Training Center effective July 1, 1976.

The approved complement of workers in our Farm Machinery Factory is 275 and 56 in the Cordage Factory. In addition to the above, we employ 20 inmates in the Minimum Security Area working in Service Parts, Assembly, Traffic, and our Warehouse.

An Incentive Wage Program was added to our industrial operation in November, 1973. The program was essentially as follows: The inmates shared in a percentage of the profit each month when the production of finished goods exceeded the cost of operating the factory. This plan was modified on May 25, 1976. On that date the inmate wages were increased throughout Industries as follows: Minimum rate per day $1.50 and a maximum of $3.50 per day. Previously, the minimum was $.50 per day with a maximum of $2.50 per day. Thus, the average pay increased to $2.50.

Coupled with this pay increase, a new Bonus Program was established whereby inmates can earn a bonus if production reaches or exceeds a breakeven point on a monthly basis. Inmates will receive an additional $7.50 a month for the first month, $10.00 a month for the second consecutive month, $15.00 a month for the third consecutive month, and $20.00 a month for the fourth consecutive month in which breakeven production is achieved. All consecutive bonus months will be paid on the basis of $20.00 per month. In succeeding months, if a breakeven point is not achieved, a bonus will not be paid and the bonus rate the following month will revert to $7.50 and the inmates then have to work back up to $20.00.

In addition to the Wage Incentive Program, we issue job certificates to inmates who have successfully completed a number of hours in various skill areas in the Industries Program. These certificates are used by the inmates in seeking employment upon their release.

We have explored the possibility of adding other incentives to the program; for example, a form of Industrial Good Time and perhaps paid vacations.

Presently, our goods are sold exclusively within the State of Minnesota. As noted above, our Cordage products are sold primarily by rope jobbers and mill agents. Our Farm Machinery is sold by four state employees who travel the State of Minnesota selling to approximately 300 authorized MINNESOTA implement dealers. These dealerships are obtained via an annual contract with the dealer entitling him to merchandise our product line. Our total sales are approximately $2 million annually.

No. 6—Expanding our product line by allowing us to merchandise products out of state would greatly enhance our profit potential and would ensure a self-supporting Industrial Program for the future. It would in turn enable us to maintain a modern, well-equipped plant which would further our efforts toward teaching inmates job skills and improving work habits. The entire program, however, is contingent upon Industries having control of their work force and this includes working a sufficient amount of time to enable production to meet sales demands. If this is achieved, then the program can cotninue to be successful.

STATE OF MINNESOTA
Governor's Commission on Crime
Prevention and Control

APPLICATION FOR ACTION GRANT

PAGE 1

1. PROJECT TITLE: Private Industry in Corrections/Statewide
Equal Pay - Equal Work

DO NOT WRITE IN THIS SPACE
Appl. Number
Date Received
Year 1 2 3 4

2. PROGRAM UNDER WHICH APPLICATION IS MADE
Number: 18 Title: Institutional, Rehabilitation and Treatment

3. BEGINNING DATE: March 1, 1976

4. DURATION: 12 months

5. SPONSORING UNIT OR GOVERNMENT: Minnesota Department of Corrections

6. IMPLEMENTING AGENCY: Minnesota Department of Corrections

7. COUNTY OF SPONSORING UNIT: Various

8. CONTACT PERSON/PROJECT DIRECTOR
Name: Stanley F. Wood
Title: Director of Private Industry
Street: Minnesota State Prison
City: Stillwater
State/Zip: Minnesota 55082
Phone: 439-1919, Ext. 329

9. AUTHORIZING OFFICIAL
Name: Kenneth F. Schoen
Title: Commissioner
Street: Minnesota Dept. of Corrections
City: 430 Metro Square Building, St. Paul
State/Zip: Minnesota 55101
Phone: 296-3653

10. FINANCIAL OFFICER
Name: Dennis Anderson
Title: Deputy Accountant
Street: 430 Metro Square Building
City: St. Paul
State/Zip: MN 55101
Phone: 296-3030

11. EQUAL EMPLOYMENT OPPORTUNITY COORDINATOR
Name: Theodora Spencer
Title: Personnel Director
Street: 430 Metro Square Building
City: St. Paul
State/Zip: MN 55101
Phone: 296-3080

12. Have you received payment for this project from the Economic Opportunity Commission in the past? ( ) Yes (X) No

If yes, please indicate grant number(s) assigned to previous grant(s) awarded for this project:

13. Does the sponsoring unit of government maintain a written Equal Employment Opportunity Program? (X) Yes ( ) No

Has this program been certified by the State Department of Human Rights?
(X) Yes ( ) No
Date of Certification: October or 1974

14. All appropriate A-95 Clearinghouses were notified of the intent to submit this application as of (date): February 1, 1976

15. Application is made for a grant under the Omnibus Crime Control and Safe Streets Act of 1968 (PL 90-351 as amended (PL 93-83) for the amount and for the purposes stated herein. Funds granted pursuant to this application will not be used to supplant or replace local or other resources that would otherwise have been made available for law enforcement and criminal justice purposes.

Signature of Authorized Official

DATE SIGNED

OMPOSE Page 1 (rev. 10/75)

STATE OF MINNESOTA GOVERNOR'S COMMISSION ON CRIME PREVENTION AND CONTROL	APPLICATION FOR ACTION GRANT PAGE 2

PROJECT TITLE
Private Industry

SPONSORING UNIT	IMPLEMENTING AGENCY
DOC	

16. PROJECT SUMMARY (See Instructions) Note: For a 2nd or 3rd year application, provide a summary of progress toward accomplishment of project goals.

17. BUDGET SUMMARY AND SOURCES OF PROJECT SUPPORT

a. Personnel	$ 30,000
b. Fringe Benefits	$ 3,600
c. Travel	$ 4,100
d. Equipment	$ 0
e. Supplies	$ 1,065
f. Contracted Services	$ 15,500
g. Construction	$ 0
h. Other Direct Costs	$ 1,560
i. Indirect Costs	$ 3,360
Total Project Cost	$ 59,185

LEAA Funds Requested	$ 53,267
LAC Funds Requested	$ 5,918
Other Sources (List):	
_____	$
_____	$
_____	$

GOALS

1. To have established private industry work opportunities and to provide on-the-job training and in-service training for 100 offenders at adult correctional institutions by February 1, 1977.

2. To have paid all clients at least the minimum federal wage while in the program with client pay on at least 75% of program jobs at a rate comparable to pay for similar jobs in civilian employment with the same companies.

3. To have insured that all program clients pay state and federal taxes and at least the actual cost of board and room while working in the private industry program.

4. To have developed the pilot programs into self-supporting entities which require no financial assistance from the Department of Corrections or other public funds by March 1, 1977.

5. To have achieved an employment rate of 90% within 30 days of release for head of household employees that have been in the program at least 30 days and who were in the program immediately prior to release. Of these 80% will receive civilian jobs that have skill and pay levels equal to or greater than that of the last program employment.

6. To have reduced disciplinary hearings of clients during their tenure in the program to a rate at least 25% below that of the general prison population.

7. To have attained a recidivism rate of not more than 15% for those clients who have participated in the program for at least 30 days, where recidivism shall be defined as the percentage of clients who are convicted of a gross misdemeanor or felony during the first 12 months of release.

MINNESOTA TEAMSTERS JOINT COUNCIL NO. 32,
AFFILIATED WITH THE INTERNATIONAL BROTHERHOOD OF
TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS OF AMERICA.
Minneapolis, Minn., April 21, 1976.

MR. STAN WOOD,
Director of Private Industry, Department of Corrections,
St. Paul Minn.

DEAR MR. WOOD: Your letter pertaining to your program of "Private Industry in Corrections" was referred to our Minnesota Teamsters Joint Council No. 32 Executive Board.

A motion was made, seconded and unanimously carried to adher to the conditions as outlined in your letter.

1. That the private company is not closing down a portion of its operation to be relocated in the correctional institution but is rather in an expanding venture.

2. That wage scales are competitive to those paid on the "oustide."

3. That inmate workers may join the various craft unions represented in the incoming company.

4. That the inmate workers will pay initiation fees and union dues.

5. That the institution location will not make a private company immune from negotiation procedures and strikes.

We believe your program "P.I.I.C." has great merit in furthering the rehabilitation of the offender.

Please contact our organization if we can be of any assistance in the future.

Best wishes.

Sincerely,

HOWARD G. FORTIER,
Secretary-Treasurer.

MINNESOTA DEPARTMENT OF CORRECTIONS

PRIVATE INDUSTRY PROGRAM

INMATE ADMISSION

INST. NO. _____

(1-6) S.I.N.	(7) 1	(8-22) NAME Last M.I. First	(23-24) MONTHS REMAINING IN SENTENCE

(25) EMPLOYMENT LOCATION	(26) CUSTODY STATUS	(27) CURRENT INST. PROGRAM	(28) CHANGE PROGRAM
1 MSP 2 SRM 3 MCFW 4 MNTC 5 Halfway House 9 Other _____	1 Maximum 2 Medium 3 Minimum 4 Work release 5 Pre-Parole 6 Parole Halfway Hse. 9 Other _____	1 Prison Industry 2 Education 3 Prison Support Services 4 Company Transf.	1 Yes 2 No

(29-30) TIF CHANGE, NAME OF COMPANY	(31) MARITAL STATUS	(32-33) NO. OF DEPENDENTS
	1 Single 2 Married 3 Divorced 4 Widowed 5 Other 6 Unknown	(34-35) HIGHEST ACADEMIC SCHOOL GRADE COMPLETED

PREVIOUS EMPLOYMENT EXPERIENCE

(41) PRIOR WORK EXPERIENCE	(42-44) LAST JOB, HOURLY WAGE	(47) SKILL LEVEL LAST JOB HELD
1 None 2 Worked only sporadically 3 Worked steadily but changed jobs frequently 4 Generally stable employment history	_____/_____ $ ¢ (45-46) MONTHS ON LAST JOB	1 Skilled 2 Semi-skilled 3 Unskilled 4 Never employed

(48-51) LAST JOB HELD	(52-54) NUMBER OF MONTHS SINCE LAST JOB

ADMISSION EMPLOYMENT

(55) PRE-EMPLOYMENT TRNG.?	(56-58) ADMISSION JOB
1 Yes 2 No	

(59-60) COMPANY ON ADMISSION	(64) SKILL LEVEL OF CURRENT JOB	FRINGE BENEFITS
(61-63) STARTING SALERY PER HOUR _____/_____ $ ¢	1 Skilled 2 Semi-skilled 3 Unskilled	(65) 1 Vacation (66) 1 Sick Leave (67) 1 Health/Medical Ins. (68) 1 Retirement (69) 1 Other
(70-73) MONTHLY CONTRACT PAYMENTS TO INSTITUTION _____/_____ $ ¢	(75-80) DATE ADMITTED ___/___/___ Mo. Day Year	

12-17-75

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MINNESOTA DEPARTMENT OF CORRECTIONS

PRIVATE INDUSTRY PROGRAM

INMATE TERMINATION

NAME: _____ INST. NO.: _____

(1-6) R.I.N. | (7) 2

(8-12) TOTAL EARNINGS (to nearest $)

PAYROLL DEDUCTIONS

Living Costs:

Clothing (13-15) ___/___

Food (16-19) ___/___

Rent (20-23) ___/___

Medical (24-27) ___/___

Taxes:

Federal & State Tax (28-31) ___/___

Social Security (32-35) ___/___

Personal & Family:

Family (36-40) ___/___

Counseling (41-44) ___/___

Investment (45-48) ___/___

Other (49-52) ___/___

ADMISSION DATE

___/___/___

Mo. Day Year

(53-54) COMPANY AT TERMINATION

(55-57) JOB AT TERMINATION

(58-60) HOURLY WAGE AT TERMINATION

___/___

$ c

(61-62) MONTHS IN PROGRAM

(63) SKILL LEVEL AT TERMINATION

1 Skilled
2 Semi-skilled
3 Unskilled
4 Unemployed

JOB PERFORMANCE AT TERMINATION

(64) DEPENDABILITY

1 Exceeds expectations
2 Meets expectations
3 Below expectations

(65) PRODUCTIVITY

1 Exceeds expectations
2 Meets expectations
3 Below expectations

(66) SKILL RELATED TO JOB

1 Exceeds requirements
2 Meets requirements
3 Inadequate

(67) ATTITUDE TOWARD SUPERVISION

1 Accepts
2 Tolerates only
3 Rejects

(68) REASON FOR TERMINATION

1 Parole
2 Transfer
3 Voluntary
4 Dismissed
9 Other

PLACEMENT FOLLOWING RELEASE

(69) PLACEMENT ON RELEASE

0 Transfer to New Company
1 Not Released
2 Parent Company
3 Similar Company
4 Other Company
5 Not Placed

(70) SKILL OF PLACEMENT JOB

1 Skilled
2 Semi-skilled
3 Unskilled
4 Unemployed

(71-73) HOURLY WAGE IF PLACED

___/___

$ c

(74) TYPE OF PLACEMENT JOB

1 Related work
2 Non-related work
3 Not placed
4 Unknown

(75-80) DATE OF TERMINATION

___/___/___

Mo. Day Year

12-17-75

MINNESOTA DEPARTMENT OF CORRECTIONS

PRIVATE INDUSTRY PROGRAM

Follow-up Form

(1-6) R.I.N. | (7) 3 | (8-22) NAME: Last / M.I. / First | INST. NO.

(23) FOLLOW-UP PERIOD
1 1-3 months
2 4-6 months
3 7-12 months

(24) STATE IN WHICH WORKING
1 Minnesota
2 Wisconsin
3 Dakotas
4 Iowa
5 Illinois
9 Other

(46) POST-RELEASE TRAINING
1 Yes
2 No
3 Unknown

(47-49) PRESENT JOB

(53) NUMBER OF JOBS HELD SINCE INITIAL PLACEMENT
1 Same as initial placement
2 One job change
3 Two job changes
4 Three job changes
5 More than three changes

(57-58) MONTHS ON PRESENT JOB

(62-64) PRESENT HOURLY EARNINGS
$. / ¢

(65) PRESENT SKILL LEVEL
1 Trainee
2 Apprentice
3 Journeyman
4 Master

(66) PRESENT EMPLOYMENT STATUS
1 Not Employed
2 Sporadic Employment
3 Part-time steady
4 Full-time
5 Other

IF RETURNED FOR NEW OFFENSE, WHAT?
(67-69) 1st Offense _____
(70-72) 2nd Offense _____

(74) PRESENT CORR. STATUS
1 Parole
2 Institution
3 Discharged
4 Absconded
9 Other

(75-80) DATE OF FOLLOW-UP
__/__/__
Mo. Day Year

Dept. of Corr.
08-11-75

PRIVATE INDUSTRY PROGRAM - COMPANY IDENTIFICATION

(1) B | (8-27) COMPANY NAME | (28-32) ZIP CODE B

COMPANY ADDRESS

(33) TYPE OF CONTRACT
1 Determinate
2 Indeterminate
3 Negotiable
9 Other

(34) DETERMINATIVE UNITS
1 Time limit
2 Production unit
3 Negotiable
9 Other

(35) COMPANY UNION POLICY
1 Closed shop
2 Open shop
3 Non union
9 Other

(36) ANTICIPATED WAGE $ RETURN
1 0-$$3
2 $$3-4$$
3 $$5-$$$
4 $$$-$,000
5 $000-9999
6 10,000-24,999
7 25,000-49,999
8 50,000-99,999

(37) ANTICIPATED NON WAGE $ RET.
1 0-$49
2 50-99
3 100-199
4 200-499
5 500-999
6 1000-2499
7 2500-4999
8 5000-99999

(38-41) POST TRAINING WAGE | COMPANY PAYMENTS CONTRACTED TO CORRECTIONS

EFFECTIVE ___/___ Month Year

Space Rental _____
Equipment Rental _____
Remodeling _____
Maintenance _____
Utilities _____
Services _____
Others _____
(42-48) TOTAL _____

TYPE OF WORK PERFORMED BY INMATES

(49) PARTS PRODUCED
1 Metal
2 Wood
3 Plastic
9 Other

(50) PARTS ASSEMBLY
1 Metal
2 Wood
3 Plastic
9 Other

(51) COMPUTER
1 Programming
2 Systems Management
3 Both

(52) GRAPHICS
1 Printing
2 Art (commercial)
3 Both

(53) FOOD SERVICES
1 Preparation
2 Serving
3 Both

(54) REPAIR/MAINTENANCE
1 Mechanical
2 Wood
9 Other

(55) CLERICAL/FISCAL
1 Secretarial/stenographic
2 Fiscal (Bookkeeping, Accting)
3 Keypunching
4 Other _____
5 More than one (list)

(56) SERVICES (MISCELLANEOUS)
1 Phone Advertising (soliciting)
2 Labor Pool
9 Other _____

(57) PARA-PROFESSIONAL/PROFESSIONAL
1 Counseling
2 Teaching
9 Other

(58) SELF EMPLOYED
1 Writing/Publishing
2 Landscape Archit.
9 Other

(59) 1 Labor Pool | (60-61) COMPANY CODE

REASON(S) FOR TERMINATION

(62) 1 Contract limits reached

(63) GENERAL ECONOMIC CONDITIONS
1 Product Sales Dropped
2 Production exceed sales
3 Company financial problems
9 Other _____

(64) COMPANY DISSATISFACTION
1 Inmate production below expectations
2 Employer-employee rel. probl.
3 Inadequate facility
9 Other _____

(65) CORRECTIONS DEPARTMENT
1 Qualified employees not avail.
2 Inadequate working conditions
3 Inadequate facilities
4 Employer-employee rel. probl.
5 Inappropriate product/service
6 Contract conditions not fulfilled
9 Other _____

(66-70) ACTUAL WAGE $ RETURNS (whole $'s)
$_____

(71-74) ACTUAL NON WAGE $ RETURNS
$_____

(75-80) DATE CONTRACT TERMINATED
___/___/___
Mo. Day Yr.

09-12-75

PRIVATE INDUSTRY IN CORRECTIONS

EQUAL WORK—EQUAL PAY

I. Concept
   A. Private industry setting up a production or service component within the correctional institution.
   B. Hire inmates as the work force.
   C. Help place the workers upon parole.
   D. Charge inmates for institutional services.

II. Objectives
   A. Inmates
      1. Financial bases—going wage.
      2. Independence—self satisfaction.
      3. Job training—future work.
      4. Family support—family ties.
   B. Prison
      1. Lower recidivism rate.
      2. Less operational expense. (Charge-back)
   C. Industry
      1. Profit.
      2. Social image.
      3. Potential trained worker resource.

[From the Prison Mirror, July 5, 1974]

PRIVATE INDUSTRY EXPERIMENT BEGINS

Still in the planning stages, but definitely slated for MSP, is the introduction of private industry to the prison. Mr. Stanley Wood, shown in the photo, has come to us from the Sandstone/Willow River Vocational School where he was Director. Mr. Wood is now the Director of the Minnesota State Prison Private Industry Experimental Program, as of July 1st.

The Plans, in brief, are to invite private industry to bring in their own products for manufacture, assembly, development, packaging, shipping, etc. and to pay the same wage that would be paid in their facilities outside the prison.

Certain privileges and obligations are expected to enter into the plan, not the least of which may be the chance to support one's family while still in the prison. Along with that may be payment for certain institutional services and, of course, taxes. The plan seems to have further benefits in that the experience acquired while training and working in the prison would, in most cases, be applicable to the same industry upon release. No more will a man have to spend his prison time learning to do a job that doesn't exist 'on the streets'.

The program will be of particular value to the high-security convict, in that it will be initiated within the walls. Mr. Wood is presently, laying the ground work for the program and contacting potential private industries.

HOW WOULD YOU DO IT?

The Prison Mirror requests your ideas, your comments and suggestions regarding the private industry experiment.

What kind of work would you like to see brought into the prison?

Do you know a specific company who would be interested in taking advantage of a ready-made work force and the buildings available here?

How do you feel about paying taxes and supporting your family during your stay here?

Do you have a product you'd like developed and manufactured? If so, could you get a backer among private industry to bring it in?

This is not an official questionaire, so send your comments (positive and/or negative) to the Prison Mirror. You can be certain they will be forwarded to Mr. Wood for his consideration.

[St. Paul Sunday Pioneer Press, June 8, 1975]

NEW PROGRAMS GOAL IS 100 MEN

INMATES TO WORK FOR PRIVATE FIRMS WHILE IN JAIL

(By Bruce R. Nelson)

Some Stillwater State Prison inmates will soon be able to join labor unions, work for private industries behind bars and earn the going wage while serving their sentences.

Nine inmates are expected to be hired this summer for the first phase of a computer programming operation that will be conducted inside the prison. A year from now, corrections officials say as many as 22 prisoners will be employed by the computer company.

The program is the first of what the Corrections Department hopes will be many opportunities for the computer programming companies while serving time.

Towards that goal, the department received a $67,000 grant last week from the governor's Crime Commission and promised to find jobs for 100 inmates incarcerated at Stillwater and other institutions.

Stanley Wood, employment program director, said inmates hired for the computer programming jobs, which will involve work for state agencies and private companies, will receive more than the federal minimum wage of $2.10 an hour.

Pay for other jobs corrections officials have they can line up for inmates may be considerably higher, Wood said.

The computor programming company was formed by corrections officials working with executives of several large businesses in the Twin Cities area.

Wood said the business representatives, who make up the company's board of directors, have spent the past year preparing for the new prison industry.

He said company officials will soon start taking job applications from inmates and will conduct personnel interviews and hire the first employees by August.

Meanwhile, Wood is negotiating with scores of other businesses and industries in an attempt to line up other behind-the-wall type employment.

Within a year Wood said he plans to have at least 80 such jobs available at the Lino Lakes corrections facility, which is being converted into a medium security institution for adult offenders.

He envisions inmates being hired for such jobs as welding, carpentry work and assembly production by companies that would contract with the institution to have a small part of their total manufacturing operations performed in the prison.

The purpose of the program, as part of its title implies, "Equal work for equal pay."

"We see it as instrumental in improving the rehabilitative process," Wood said. "Offenders will not only be earning the kind of wage the work entitles them to, they will be gaining experiences that will be much more helpful in obtaining employment on the outside."

He said most work assignments currently available to prison inmates are not specifically geared to making the convict employable once he is released.

The prison jobs, such as license plate and twine manufacturing, also pay only a few cents an hour, a frequent complaint of inmates and prison reform groups.

Companies contracting for work in the correctional institutions must agree to hire as many of the inmate-workers for outside assignments once they are released.

The idea of paying convicted felons serving a prison sentence as much or more than the guards make for keeping them locked up has caused some criticism of the program.

"We're sensitive to the possibility of inmates getting paid more than some of the correctional officers, and we're not sure just how to handle it," Wood said. "It shouldn't make any difference; if you're performing a service that pays so much, that's what you should get."

Wood says he is more worried about what will happen when a few inmates start getting paid several dollars an hour while the others continue to work for pennies an hour.

That also was a concern of the Governor's Crime Commission, which in funding the program, stipulated that the employment must not jeopardize prison security.

Wood said he is exploring the possibility of locating private industry programs in separate cell blocks, apart from the rest of the inmates.

Once established, the inmate workforce will be managed by other inmates who will be hired by the companies to run the prison portion of their operation.

Additional staff to run the program is not anticipated, Wood said.

Corrections officials have met with state labor leaders to assure them that in no instance would the department allow civilian employees to lose their jobs so that the work could be transferred to the prison.

"With that understanding, I think we have labor's support," Wood said.

Mr. DENT. Proceed in any fashion you wish, Mr. Schoen.

STATEMENT OF KENNETH F. SCHOEN, COMMISSIONER, MINNESOTA DEPARTMENT OF CORRECTIONS, ACCOMPANIED BY STANLEY WOOD, DIRECTOR OF PRIVATE INDUSTRY

Mr. SCHOEN. We thank you for this opportunity to give testimony, and we feel this to be a very important piece of legislation.

At the current time, I think all of you are aware from reading the newspapers that we are in a period where prison populations are going up sharply throughout this Nation, Minnesota included. At the same time, we are painfully aware that it is being declared that prisons are not places of rehabilitation and, indeed, are places of violence, injustices and probably being counterproductive to any kind of correctional effort.

The facts are the way we look at prisons is that we are always going to have prisons in some form, I think, as long as any of us are on this Earth. Virtually all the occupants of these prisons at some time, sooner or later, will return to our communities, mostly sooner.

Third of all is that those of us who have worked in corrections recognize that seldom does a person enter the correctional system who has done well on the job, or in school or if they have entered the system, seldom do they fail if they do well on the job or in school.

And last, the fact is that the cost of institutions are going up geometrically and will continue to go up in that fashion, a time when the tax dollar is spread very thin.

Given these, the prime theme, I feel, and the prime theme we are focusing upon in Minnesota today is giving the inmates a creative work opportunity. I think that is a sensible decision. The goals we have set out for ourself are as follows:

We want the inmates to have a meaningful job opportunity while in prison. We want this job opportunity to be a transferable experience comparable to the real world and not some busy work, that is really nonsense and has no long term value. In fact, there are technical skills he can assume and the social skills including being able to get to the job, get to the job on time, creating this kind of environment in a prison rather than marching over to a job in lockstep, having the opportunity to apply for a job, to be fired if he does not succeed in the job.

We want to have outside linkages whereby if a man is doing a job in a prison, he is able to assume that kind of a job in the community and that linkage is established before leaving the prison. There is some good evidence to support the success of the individual if that occurs.

We want to offer the man a competitve wage, at least a minimum wage, preferably a competitve wage while working in prison. With that, he assumes various responsibilities that the average worker would assume in the community, including the paying of taxes,

supporting his family, supporting himself while in prison, paying into an unemployment compensation fund so that when he leaves, if there is a period of unemployment, he, in fact, can be supported with money—gate money is a miserable kind of a thing to try to work out to achieve that.

I think the unemployment compensation model makes much more sense and, indeed, pay restitution to victims he has, in the vernacular, "ripped off," before he arrived in prison.

In Minnesota, this development is in its infancy yet. However, we do have a number of industries that we are operating where the going wage is being paid where inmates are paying taxes. We have a profit-sharing plan going on in some of our industries.

We even have some of the byproducts of that including strike, which we had a couple of week ago, and settled without violence through negotiations, and there are higher wages as a result of it. We do not call it unionism, but we might as well.

Where they apply for jobs, as I said, they can be fired from the job if they do not produce. They are participating in the management of these industries, in the setting of policy and, indeed, the day-to-day operations. We have involved private enterprise of the community in special task forces, looking at how can we work more effectively.

Control Data has done an excellent job in that respect. Advisory function is an ongoing basis. We passed legislation in the past couple of years which allows us to bring in private industry which allows us to set up shops in the institutions and involve the inmates in their industrial interests.

This is going on in a couple of institutions at various times, which brings us to the business at hand.

We have this prohibition in our Federal laws, as you are aware, that does not allow inmate products to be sold interstate. When we move into bringing private industries into the prisons or, indeed, even selling existing products like in Minnesota, we make farm machinery implements and Wisconsin would use a good deal of these things as Minnesota and elsewhere in the country.

We are prohibited from involving ourselves in that kind of a product with the private industry coming in, many of them have outlets as a part of their whole business beyond the State lines.

At one time that made sense, I suppose, because we actually had, in fact, employed slave labor. Therefore, there would be unfair competition.

What is being proposed in this legislation is that not only do we allow the inmates' products to be sold interstate, but the inmates be paid a prevailing wage so there is not that unfair competition quality going on.

I think given the current situation, the impact on the business world would be small. However, the impact on the prison environment would be large. I think it should not be seen as competitive but rather as a joint venture between private industry, labor, and the prisons that people, like myself, operate.

The conclusion is, I will make no promises to you that this would insure rehabilitation, or fulfill far reaching industrial programs. But I think I can assure you of this, that it certainly will reduce the de-

habilitating quality of what goes on in prisons at this time, and some effects it has on individuals within the prison.

I would like to introduce Mr. Stan Wood, who will carry this a step further for you this morning, Mr. Chairman.

Mr. DENT. Mr. Wood.

Mr. WOOD. Thank you, Mr. Chairman. In the few minutes I have, I would like to briefly touch on five areas. The first area being a pictorial review of what prison industries have been across the United States and how they are traditionally operating.

Second, I would like to discuss our private industry program and the effect that it is having on the direction we are moving in Minnesota.

Third, I would like to give some evidence of what is happening in other parts of the United States showing that Minnesota is not the only place that is looking at this type of a program.

Fourth, I would like to discuss some of the reactions by labor unions, by private companies, and by offenders concerning the direction we are pursuing.

And, fifth, I would like to enumerate some potential gains that we expect if this Congress would see fit to allow inmate-produced products to be sold competitively.

No. 1, I do not know of any prison industry program operating in the United States today that is competitive or productive except as a result of slave labor. The commissioner had touched on that topic.

I have some schematics or pictorials here that might represent where our industries are at today, and then we will go on to the new programs that we are projecting.

Traditionally, inmate workers receive a very low wage. We are indicating here 50 cents a day. In some States, it is nothing. In Minnesota it is up to $3.50 a day at this point, the profit from the inmate labor going back into the institution or into the general revenue account of the State, but not allowing the person to earn anything other than a very minimum wage.

Another concept along the same line is projected here where traditionally, again, we have civilian workers on one side performing particular duties. They are teachers or painters or plumbers or something like this, earning $50 per day perhaps.

The offenders, on the other side, their labors being exploited whereby they earn a very small wage.

To make this even more dramatic, we can look at this comparison where we have two people, a civilian on this side, an inmate on this side doing exactly the same thing with the same skills, the same responsibilities, with the great differential of pay and recognition for doing it.

To show you more specifically how our State operates, I have selected two of our major institutions—the reformatory and the prison. At the State reformatory at St. Cloud, we are producing license plates, validation stickers, furniture and mattresses, and the market for this product is the State of Minnesota—we are doing about $3 million per year volume in that industry.

We are employing about 130 workers. They are paid from 85 cents to $2.25 per day, and the important thing, I think, is to note that we are getting about 5½ hours of work out of these people, at least they

are in the program 5½ hours. That does not mean we are getting 5½ hours of productive work out of workers. If we look at the State prison, it is a similar situation. We are producing farm machinery. We also have a cordage operation for rope and ply goods.

However, the sales here are to private companies, but to private companies within the State of Minnesota. We are doing about $2 million worth of business in these areas. We have over 300 workers or about a third of the population. The wages for the Stillwater industry workers are $1.50 to $3.50.

We are working 6½ hours a day. We are still considerably less than the 8 hours needed.

To look at the new direction and contrast, what has been happening, to where we are proceeding today, we feel that there is nothing wrong with the concept that we take advantage of the skills that offenders have as well as those civilian people have.

We are saying if we have a teacher that has the qualifications and there is no security risk, we could utilize these. We have actually proceeded with a plan to make a certain number of our civil service positions available to offenders.

They would be working side-by-side with civilian workers. They would be paid a competitive wage, but in turn be expected to share all of the normal responsibility that a person would share operating on the outside.

So all of the charge-backs, except the cost for custody, like board and room, medical, and all of the things that we have to pay on the outside would be assessed. They would have to support their family. They would be subject to any law suits or anything that normal people would be if they owned money, and the commissioner talked about restitution being a part of this.

To take a larger look to this concept, we might see the profit or the profit based upon labor of the offender divided up in this way: part of the money that inmates have produced would go to its wages, part of it would go to a company profit, if it is a private company operating inside the institution.

If it happens to be a prison operating a company on contract to a private agency, part of the money would go to that.

Another portion of his earnings would go into the board and room and taxes and that type of thing.

To get away from philosophy, we can reduce this down to practical terms to take a look at what we have done so far. I have a couple of examples here.

Mr. DENT. Excuse me, at this time, I am going over to vote. When I get back, I am going to ask Mr. Zeferetti to chair the committee. He is formally head of the corrections department of New York City and has a lot of experience.

[A brief recess was taken.]

Mr. DANIELS. The subcommittee will come to order.

Mr. Wood, I apologize for leaving, but we had a vote on the floor. I left first hoping to get back here before Mr. Dent and Mr. Zeferetti.

We may have similar interruptions from time to time. In order to expedite this hearing, we will just proceed. I will act as the Chairman at the request of Congressman Dent.

Mr. WOOD. Thank you, Mr. Chairman.

I will just continue with what we are actually doing in this new direction in Minnesota in trying to make our industries competitive, to pay higher wages, involve private industry in our operations.

Best Food Service at Stillwater is now doing all the food services for that institution. They are employing 10 civilian people and 12 inmates—this is really a reduction.

When we get private companies involved, we find they become much more efficient. We have been able to cut the food services down by 1½ and still get a very good product out. The offenders working in this program are earning $2.30 per hour, which is a drastic change from $3.50 a day which is maximum now for working in prison industries.

The computer programing company that is operating in Stillwater now projects to do in excess of $100,000 worth of business in fiscal year 1977. They plan to employ 18 workers and have employed already part of these. You will be hearing more about this a little later from Mr. Bill Ward——

They are paying up to $11,000 this year for offenders per each, and the hours per day are 8 hours plus a chance to earn overtime. So it is a completely different program than the ones I showed you of our traditional prison industries.

At our metropolitan training center, we have a little project we are experimenting with. This is to contract with private industries and other State agencies to do piece work and to produce a product or provide a service for an outside company.

We are doing printing there. We also have metal fabrication. We have mobile home repair. We are pulling the mobile homes from Pennsylvania, having them repaired and set up for native American housing in Minnesota. We have miscellaneous contracts, a cafe operation, and are deburring parts for private companies.

The production we are looking at for fiscal 1977 is in excess of $500,000. We plan to employ 75 workers. We have about 60 workers in this area now. We are looking at, even for institutional work, no less than minimum Federal wage and a completely competitive outside wage for the work we are doing with private companies.

We are working 8 hours a day with provisions for overtime at this institution also.

I am sure you understand now the difference between where we are with our prison industries and where we are with our private industry program. Also, we are seeing that the private industry programs are having a great effect on what we can do with existing prison industries.

The third point I would like to cover is what other parts of the United States are doing and how they are viewing this particular trend. LEAA has become concerned enough about prison work that they have appropriated money to ECON, Inc., of New Jersey and the American Foundation of Pennsylvania. Mr. Christie from ECON and Mr. Nagel from the American Foundation are both here today. One of them will be talking to you a little later in detail about their program.

They are looking at setting up this same type of free venture arrangement in the State of Connecticut. Also, Illinois, under the direction of Senator Percy, is moving in this direction.

Oklahoma, Washington and Canada are also in the process of developing a similar competitive industry program there.

The fourth area that I would like to cover is the reaction to this——

Mr. DANIELS. Before you go on in this fourth area, are there other States besides the State of Minnesota where this program is in actual use?

Mr. WOOD. I do not know of any other States where there are private companies actually operating on the grounds of institutions and employ offenders, no. I may be incorrect, but, we have done some fairly extensive research. There are States very close to getting into this, but I do not know of any other States that actually have private companies and employ offenders.

Mr. DANIELS. This is a new program in the State of Minnesota. How long has it been in use there?

Mr. WOOD. The legislation was passed in 1973. There was some research done by private industry prior to that time. We have actually been working in developing the program for the past 2 years.

Mr. DANIELS. However, the merchandise manufactured or produced in the prison is used exclusively in the State of Minnesota at the present time?

Mr. WOOD. It is, at the present time. However,we have legislation to allow us under certain circumstances where we can "work-release" offenders to the private company, and in doing that they are considered parolees and their product can be sold in interstate commerce. This is State legislation that was passed in 1973.

Mr. DANIELS. I do not recall if you made the statement or the previous witness made the statement that there is already Federal law which would prohibit the production or manufacture of goods in prison to be used in interstate commerce.

Mr. WOOD. That is correct. But if you will notice in the documents that were passed out for your review, there is a State law that allows us to release people to the private companies. Once they are work releases, they can be considered parolees, and those products can be sold in interstate commerce.

That is very limited. There are a large number of our offenders that are doing determinant sentences that cannot apply for that particular condition.

Mr. DANIELS. Is that permissible under present law?

Mr. WOOD. Yes; it is.

Mr. DANIELS. As parolees?

Mr. WOOD. Right.

Mr. DANIELS. It may be used in interstate commerce.

Mr. WOOD. That is correct. Parolees are exempt from the 1940 law the commissioner was talking about.

Mr. DANIELS. I find the program quite interesting.

You may proceed.

Mr. WOOD. Thank you. We have contacted between 1,500 and 2,000 private industries exposing our program to them, seeking involvement by them, either to come onto the grounds of the institution or do contracting with us.

Of those 2,000 companies that we contacted, we have had one negative response from private industry in reaction to a very poorly worded letter we sent out. So the reception we are getting from

private companies has been very good. We have 20 companies that are either operating now within the institution or are contracting with us or have over the past one year.

So we have a significant amount of involvement. We have contacted the AFL-CIO and the Teamsters Union. And under certain conditions, they are completely in support of this direction. The condition primarily being that we are not closing down a company on the outside to relocate on the inside of the institution, but it is an expanding role for the company.

And secondly, that we allow the offenders to join labor unions if it is a union shop being involved and the workers would be under all the controls of a normal worker who belongs to a union. With those conditions, we have got support in Minnesota, from the AFL-CIO and the Teamsters.

There is a letter included in your information from the Teamsters Union. I was down talking to the AFL-CIO people in Washington, D.C., this morning and will be getting some opinion from them.

Mr. DANIELS. When you refer to the AFL-CIO, are you talking about the national organization here headed by George Meany?

Mr. WOOD. Yes.

Mr. DANIELS. With regard to the Teamsters, are you referring to the national organization or to a particular local?

Mr. WOOD. I should clarify that. With the support we have in Minnesota, both State level, the president of AFL in Minnesota and the Teamsters executive council in Minnesota.

Mr. DANIELS. Can you furnish us the names of the people that head the organizations in the State of Minnesota?

Mr. WOOD. Yes.

Mr. DANIELS. Are you able to do that at the present time?

Mr. WOOD. Yes, I am. David Row is the president of the Minnesota AFL-CIO. Leonard Lasham is the executive secretary of that group.

Mr. DANIELS. Where may each of those gentlemen be reached?

Mr. WOOD. They may be reached at their office in Minnesota. I do not have their numbers with me. However, the Teamsters people that have a letter furnished along with the documents that you have do include the phone number of where they can be located.

Mr. DANIELS. Yes; we have that. Thank you.

You made reference to the fact you talked to the AFL-CIO in Washington this morning.

Mr. WOOD. Yes; I gave them information. The Minnesota office of the AFL-CIO has requested on a couple of occasions over the past year a response out of the national office. They have not gotten this. They called me before I left yesterday morning and suggested I talk to Tom Donahue.

I went down to see him this morning. He was not available. I talked to another gentleman, Mr. Andrews. I left information for Mr. Donahue and expect a response back shortly. So he is aware of what our position is. He is aware of our testimony here today.

Mr. DANIELS. I understand, then, that these labor organizations to which you refer, the AFL-CIO and the Teamsters in the State of Minnesota, look upon this program favorably.

Mr. WOOD. Yes; that is correct.

Mr. DANIELS. I want to ask you this question before you move on to another point: What participation is there in the program on the part of the prison officials?

Mr. WOOD. In the private industry part, which Mr. Ward will be talking about in a few minutes, the only participation the Department of Corrections has is that they initiate the move to get the private companies involved, but the lease of the property at Stillwater State Prison was negotiated with corrections' approval, of course, but between the private company and the Department of Administration of Minnesota.

Mr. DANIELS. When the program is in operation in the prison, is it exclusively under the control and supervision of private industry?

Mr. WOOD. That is correct, subject to the rules and regulations.

Mr. DANIELS. Of the prison, I assume?

Mr. WOOD. That is right. So they have reasonable access to and from the property. They advertise for jobs, they interview and employ people, they release people if they are not meeting company standards. The only thing is, the security standards of the institution have to be met as far as custody is concerned.

Mr. DANIELS. I assume the contracts you make with the prison authorities meet certain standards that are established under the law of Minnesota.

Mr. WOOD. Yes; in fact, the contract is made with the department of administration rather than with the institution.

Mr. DANIELS. Does private industry select the enrollees in the program?

Mr. WOOD. That is correct.

Mr. DANIELS. Or do the prison authorities?

Mr. WOOD. The prison authorities will have nothing to do with the selection process. I can envision a possibility where someone was selected that the department would not approve of because the area the industry happens to be operating in is not secure enough. But that has not occurred yet.

Mr. DANIELS. Does the seriousness of the crime for which the offender has been convicted and the length of his sentence have anything to do with enrollment in a program?

Mr. WOOD. Very little. That would be up to the private company to set their own standards for the type of people they were looking for. On the contrary, the private companies are looking for someone with some longevity in the program. They would not be particularly interested in hiring short-time people.

Mr. DANIELS. What assurance is there at the end of a training program that a prisoner who has been sentenced for a serious violent crime and received a long sentence that he may return to private life upon the conclusion of the program?

Mr. WOOD. There is no assurance given on the part of the private company. Our normal parole board procedures will release people whenever they feel they are ready to go. That is not under the control of the private companies, if I am answering your question.

Mr. DANIELS. The release of a prisoner, after he has completed his course, is not up to the private company. His release is determined by the parole board?

Mr. Wood. It really is not a course, it is employment. He is working for a private company on the inside, just like the outside. He is just an employee of the company.

Mr. DANIELS. Who approves his release?

Mr. Wood. The Minnesota Parole Authority or parole board.

Mr. DANIELS. I just wanted to get a better understanding of the program.

I am sorry, the second bell has rung. There is another vote on the floor. I will have to interrupt and declare a recess.

Mr. DENT. Mr. Zeferetti, I wish you would take the chair, because you have more knowledge on the subject than anybody I know.

Mr. Wood. I was discussing the reaction we have of this program by labor unions and private companies and indicated both the AFL-CIO from Minnesota support our program and offenders being paid a competitive wage and the products being sold in interstate commerce.

I also said that private companies have reacted very favorably. They are involved, we have been involved with more than 20 companies at this point. I was getting into the offenders' reaction to this.

The productivity of the offender has gone up dramatically when they find out that the wages they are going to be paid are in direct proportion to the amount of products they produce. We see a marked improvement in their production capabilities when they are paid a competitive wage.

We also find very favorable reaction to the chargeback as long as it is realistic. The offenders have no qualms about paying a reasonable cost for their incarceration as long as they are able to earn a reasonable wage. Also, the hire and fire concept where companies can pick and choose is supported by offenders. We are contracting with private companies who can pick and choose, those that we feel will do the best job.

The offenders support that because they realize the more money produced the more money there is for them, and that everybody is pulling in the same direction.

The fifth area I would like to touch is, if this bill is passed allowing interstate sale of inmate-produced products, what it might do in competition with private companies. We have talked to a number, as I indicated, 2,000 private companies.

I have called International Harvester and a number of other companies and asked them, would you be interested in taking over our farm machine operation and operate it as a private company?

The reaction almost unanimously to this is what corrections is producing now in this State and perhaps in other States is very insignificant as compared to private companies. As long as we maintain the fair competitive wage part, there really is not any great concern.

The salvation we have in this regard is that we have a completely open-door policy. We are saying, you all come. If there is a private industry that would like to come in and take over an operation or set up a different component with the institution and employ our offenders, we will eagerly negotiate with them to do this.

We are not bringing in one company and precluding others from getting involved, and we are not saying this is something we are going to develop as a correctional program and not allow private companies to have a fair shot at it.

As far as the offender is concerned, if this legislation is passed, it really puts pressure on our existing prison industries to become competitive, viable programs because then, in order to sell in interstate commerce, they have to become productive enough to be able to pay a competitive wage.

In doing this, the type of experience the offender gains from working there is very realistic and makes him employable when he leaves. At the same time, it is making him responsible for himself and his family and allows him to build up a financial base for when he is released.

That concludes my remarks.

[The visual presentation is reproduced below.]

PRIVATE INDUSTRIES

MINNESOTA METROPOLITAN TRAINING CENTER

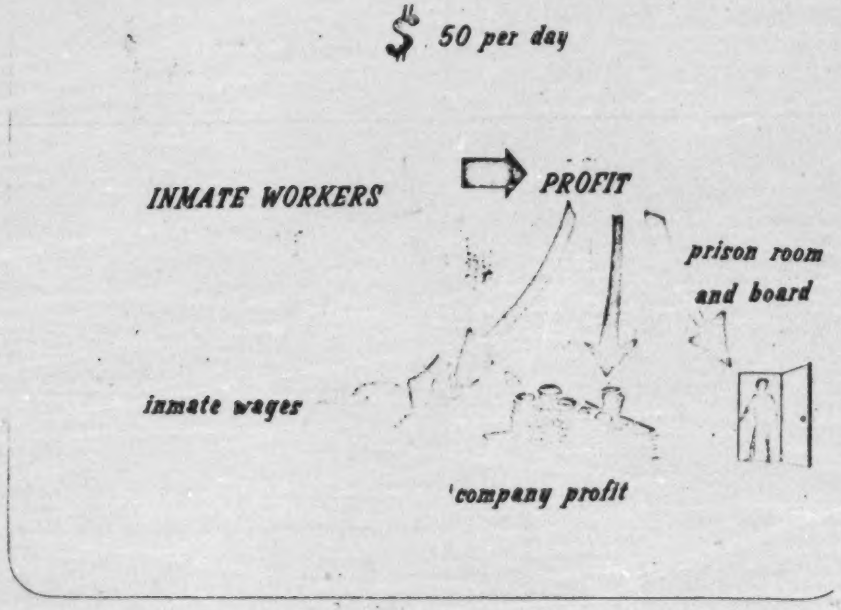
PRODUCTS (ON CONTRACT WITH PRIVATE COMPANIES AND STATE AGENCIES)		
PRINTING ●	METAL FABRICATION ●	MOBIL HOME REPAIR
DEBURRING ●	CAFE ●	MISC. CONTRACTS

VOLUME:	$500,000 (projected fiscal '77)
WORKERS:	75 Maximum
WAGES:	Minimum Federal wage to competitve outside wage
HOURS PER DAY:	8 hours and overtime

SUBJECT NO.

CATALOGED BY
MINNESOTA STATE
MANKATO

78-739 O - 77 - 6



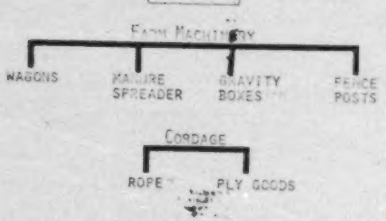
SUBJECT
39 CATALOG NO 15 1006

INMATE TEACHER
CIVILIAN PAINTER
INMATE PLUMBER
50$ A DAY

PRISON INDUSTRIES

MINNESOTA STATE PRISON

PRODUCTS



MARKETS: PRIVATE COMPANIES WITHIN MINNESOTA

VOLUME: $2,000,000/YEAR

WORKERS: 331

WAGES: $1.50-3.50/DAY PLUS BONUS

HOURS PER DAY: 6½ HOURS

SUBJECT

3M CATALOG NO. [illegible]

PRISON INDUSTRIES

STATE REFORMATORY FOR MEN

PRODUCTS

LICENSE PLATES AND VALIDATION STICKERS ● FURNITURE ● MATTRESSES

MARKET: STATE OF MINNESOTA

VOLUME: $3,000,000 PER YEAR

WORKERS: 130

WAGES: $.85-2.25

HOURS PER DAY: 5½ HOURS

NOTES

46

43

SUBJECT
NO

48

3M CATALOG NO 15 1006 2
3M CENTER ST PAUL MINN

44

SUBJECT

1.

CATALOG NO 15 1006 4
MADE IN U.S.A.

PRIVATE INDUSTRIES

MINNESOTA STATE PRISON

BEST FOOD SERVICE

EMPLOYEE FOOD INMATE FOOD

VOLUME: TOTAL MSP NEEDS

WORKERS: CIVILIANS -- 10
INMATES -- 12 (REDUCTION OF 20)

WAGES: $2.30/HOUR

COMPUTER PROGRAMMING

VOLUME: $100,000 + (FISCAL '77)

WORKERS: 9-12

WAGES: $6,000-10,000/YEAR

HOURS PER DAY: 8 HOURS PLUS

NOTES

Mr. ZEFERETTI. Thank you, Mr. Wood.

First let me clear the record. I was not the head of the New York City Department of Correction. I was president of Correction Officers' Correctional Association. I represented 3,500 officers that worked within the New York City system, just so we get that point of view straightened out.

One of the things that concerns me, as having been in the department for so many years, has been the overcrowding problems and the institutional problems, just the fundamental, the basic type of things within each institution throughout the country.

And I would like to ask a couple questions related to your particular institution in the State of Minnesota, just how, exactly, it works out.

Mr. SCHOEN. Mr. Chairman, the maximum security prison at Stillwater is a typical large megafortress type prison. It is a miserable place. I frankly think the time has come where we have to get rid of all these kinds of places in this country.

We presented this problem to our legislature. In the last session, they presented us with $1 million to plan the replacement of the maximum security prison with a place that would look really much more like our juvenile facilities with the necessary security built in.

We will replace the 1,000 bed operation with a 400-bed facility that will have, again, all the security we need. People will not be able to escape, but, on the other hand, it will be a place to operate without the violence to the staff or the inmates.

Mr. ZEFERETTI. What kind of population do you have there?

Mr. WOOD. Altogether in Minnesota we have about 1,900. We have the lowest incarceration rate in the Nation, except for North Dakota. That is a decided advantage. I frankly think as we comment on that, the increasing populations throughout the country, which are becoming extremely serious—the fact is, imprisonment is not the answer to your crime problem.

Mr. ZEFERETTI. What you are hoping to achieve, that should be uniform throughout. But I think one of our basic problems is that when we talk about rehabilitation and we talk about reform, we are starting out from a system that is already archaic and a foundation that is not there, so it is like putting 10 pounds of potatoes in a five-pound bag.

It is going to explode on us if we just keep shoving in all these various programs.

I think until we reach a point in our history where we start doing something about rebuilding that type of system and make it an integral part of our justice system, then I think we have lost all our efforts regardless of what types of reforms we are approaching.

Mr. SCHOEN. Mr. Chairman, it has been done in some systems which have massive numbers of inmates—an example is the State of Texas.

They incarcerate large numbers of inmates, pay them nothing. Yet, when you look at the industrial programs operating there, they look fairly good. However, by Minnesota standards, these overall practices would be unacceptable because we could not get by without paying the inmates something.

Yet, the point I am making, is we can do some things with the existing framework, if we are not going to replace all these places as quickly as we should. Furthermore, the populations are getting worse than better.

Mr. ZEFERETTI. That is what worries me. Once we make this piece of legislation a law and it is made available, you have institutions throughout the country that are affected. Whether or not those institutions can comply with the ability to provide this type of outlet is something else.

In New York City, we had a manpower development program that we put into effect which did cut down recidivism, by the way. There were salaries paid, but the minimum type of allowances given. But it was a catalyst for reducing recidivism.

But with that went along a society program that took care of them from the point of discharge to when they went back into the community, because I feel without that type of a follow-up, you are not going to have a continuity in effort towards the individual.

Along with your comments earlier or Mr. Wood's, I do not recall who said it, you compared civilian service versus the inmate population. I hope you are not advocating that we do away with all those employees that work within the confines of various institutions.

I hope you are not advocating we destroy the merit system of the civilians and we give lateral entry into civil service without the requirements that are so basic in taking examinations and meeting qualifications. I do not want to reward someone for breaking the law to come in laterally to the civil service program.

Mr. SCHOEN. It is not intended at all. What we are speaking of here, in the one facility was we are planning to utilize some of our existing staff salaries to be able to employ inmates in some of the areas where we might otherwise employ staff.

We discussed this with the labor unions. We want their support. We do not want to get into a situation where it is us against them. They are supporting this plan provided we are not displacing or laying off existing employees.

Furthermore, this does not give them civil service status. We do employ a number of inmates, about 150 inmates, ex-cons, in the system, but everyone has had to earn this. Our union steward at St. Cloud Reformatory was an ex-con. His partner in crime is still doing time.

Nobody is getting a free ride. That is really the essence of this thing. There is no free lunch.

Mr. ZEFERETTI. I want to ask you one other question, and then I will turn it over to Mr. Dent.

You said there was some sort of work stoppage or negotiations, collective bargaining type of negotiations. How did that come about? What did they do as far as inside the institution is concerned? Did earning stop, or did everybody just not eat?

Mr. SCHOEN. As I told you, we set up this arrangement whereby the inmates participated in the management of the operation. We have an inmates' working council. With the working inmates council, you, in effect, organize the inmates, which we want to do but to two purposes.

In a sense, it is good.The system does not always respond very well. So the inmates say, there are some conditions here we do not like in this place; so they go out to the industry that day and they start the day by sitting down. The prison officials get very nervous about this sort of thing.

The inmates played it very wise and cool—"we will go back to our cells. We will go in and negotiate this thing." They have the negotiators by virtue of the inmate council that we, ourselves, set up. The humorous thing is, the staff would come in to me and say, "gee, we cannot have that sort of thing going on."

However by negotiating, they are talking with forked tongue. They are supporting what the inmates want, and they are in effect supporting the whole labor union kind of a movement.

Frankly, I would much rather have that than a riot. They negotiated. They got an increase in salaries and an increase in the number of fringe benefits. They went back to work. The next day, television cameras were showing the inmates on the job.

The sparks were flying off the assembly wheels, the torches were going from the welding machine and now things have moved on with increased benefits to the employed.

Mr. ZEFERETTI. I think you are fortunate all worked out that well. I have had experiences where you have other problems in institutions where you have overcrowding, shortage of staff and you have hostilities within the institution or you have the type of inmates you cannot separate.

In New York, we have seen some 7 riots and holding of hostages of some 44 people, millions of dollars worth of destruction in good programs and based on power plays with the inmates.

Mr. SCHOEN. Mr. Chairman, I would not suggest we have not had problems of this type. We have had some very serious times and exactly of the violent type you are talking about. I think we have gone through some phases, however, some of the things we have done, I think, that are productive is breaking the large prison down into what we call mini-prisons or unit systems, each unit with their own staff & their own inmates. When we have problems but we can confine them to smaller areas.

The next step we want to do is have the workers occupy an area of the prison, because the workers tend to be a self-selected, more productive, more trustworthy, if you will, more responsible inmate. We have the dangerous types, too, and they have to be locked up separately.

Mr. ZEFERETTI. Do you have single cell occupancy or dormitories?

Mr. SCHOEN. It is single celled at that place.

Mr. ZEFERETTI. It sounds good.

Mr. SCHOEN. It is not all that good because, again, it is a big, large prison just like the Jimmy Cagney movies with tiers of cells stacked four and five high, guerrilla cages. We, in this country, have to get out of them. This incidentally is America's contribution to penality.

Mr. ZEFERETTI. Under a Federal Court order in New York, they just provided single cell occupancy. They have cell blocks running 300, 350 with maybe two or three officers working that particular area.

Mr. SCHOEN. The place operates by the compliance of the inmates, there is no question about it.

Mr. ZEFERETTI. Thank you.

Mr. DENT. One thing I wanted to ask. I just wondered, what is the general attitude of the inmates toward this type of program?

Mr. SCHOEN. I think, Mr. Chairman, that it is good. You have all types of inmates, of course. We about 2 or 3 months ago at the urging of a number of people—a control Data Group that came in to advise along with our own prison industry's managers, & together—said, "Let us hire and fire inmates as you normally would." We talked to the inmates about that. They wanted it.

I met with the inmates worker's council. That is exactly what they said. "Let's get this deadwood out of this place. We cannot carry on a decent days' work if we have them lying around this place." We implemented that. What it says is, the inmates who are serious about working feels very good about it and like it, particularly when they earn wages.

This does not get them out of the prison quicker, incidentally. This is not a means of earning a quick parole. It is just a means of being able to live a more normal kind of life in the prison. They prefer it.

Mr. DENT. It may be consideration, I imagine, toward their parole with a prisoner working on a particular product line and that particular producer has outside plants where employment is available.

Mr. ZEFERETTI. I think you find that type of an inmate, ones help becomes more responsive to the institution and becomes more responsive to himself and is kept busy, which is the essential thing, inside. I think it is beneficial to have them.

Mr. DENT. I imagine you have a group of dissidents that could agitate against this type of ——

Mr. SCHOEN. The other kind do not like anything. That is unfortunate. They seem to be beyond our skills at this point. We have to identify them. Systems of classification at the prison are old but they are very important. To separate the predator, the one who really has no regard for anybody, any place in the real community or in the prison community have to be separated out. However, I think they all have to have opportunity. I think that is the important thing. The big thing that is important in a prison is hope.

The more you can hold out hope for a better situation for a better life, the better a place prison can be in which to live.

Mr. DENT. Do you contemplate separating the first offenders from the repeaters, putting them in different institutions, or are you going to continue to blend them all together?

Mr. SCHOEN. We do to some extent now. We have one smaller facility for younger inmates and larger facility for older adults. We separate those entirely by age or almost entirely by age. We make some adjustments when necessary. Now there are some people who have committed very serious crimes but accepted their fate and are not a security problem. From the standpoint of a correction's administrator, you cannot have a lot of dangerous appearing people escaping even though they may not in fact be that dangerous. Security, unfortunately because it is some times a hampering factor, becomes almost primary once you decided to lock someone up.

Mr. DENT. Historically, to my knowledge, labor has been very adamant against prison labor production for sale in the public markets. You said the AFL-CIO had endorsed this program. Have they endorsed the program that you now have where it is entirely in prison, prison labor and intrastate sales?

Mr. SCHOEN. Yes; they have. The interesting part is, 3 years ago in 1973 when we were trying to pass legislation that allowed us to bring in private industry, and we, at that same time desired to take off a restriction that allowed us to produce only certain things—I was suspecting we were going to get some labor reactions.

I went out to a few legislators who were close to labor—who said no, if you do not attack or approach a particular job area, a particular industry in an attempt to take off a big percentage of that, if you do that, you are going to be in trouble. Say you are going to get a huge printing operation, you are going to take a percentage of the operation, if you do not do that, you will not get any problem on taking off all this.

Maybe I am guessing at this point, but as I watch the union send supportive letters as we include them in these decisions, so they do not learn in the newspaper kind of a thing. It is for them, a social interest in their saying, yes, we should make some contribution. However, you cannot do us out of our job, but in terms of the small number of people, when you distribute your activities over a great area, it is not that big a deal.

Mr. DENT. We are talking now about Federal law. Organized labor's attitude will have a greater effect on the fortunes of this legislation. I think your State labor council and local unions should communicate with the national AFL-CIO and the international unions involved. My impression would be that the national offices might take an automatic position against this proposal. Once they do that, it is awfully hard for them to reverse their position. If you have close communications with the union officials in your State, you should advise them to at least let their Washington officials know what they are doing.

Mr. SCHOEN. This has been done already to some extent. Not as fully as you are describing it. We have been in touch with the AFL-CIO locally, the national office here in Washington, based upon efforts from our local Minnesota AFL-CIO we have a letter—I think it is before you also—from the teamsters of Minnesota's support. I think the next step with the teamsters would be possible also. I think you are quite right. We do not want a harden position before this.

Mr. DENT. You wanted to say something on that subject?

Mr. WOOD. The Commissioner did answer most of it by saying the office in Minnesota has contacted the national office. We called them and they know the hearings were today. I met there this morning to remind them of our position and asked them to take a position on this program. The teamsters checked with their national office before they went ahead and gave us the support, but they wrote it from the local level.

But the national offices of the AFL-CIO and teamsters are aware of what we are doing.

Mr. DENT. Thank you.

Mr. ZEFERETTI. Commissioner, I still would like to go back to the problems of instituting a program like this throughout the correctional system, again, because of the type of institutions we have, some of the cost factors that are going to be involved, some of the cities involved that would not be able to comply because of cost factors in putting in these types of programs is going to be a tremendous task, to get the slops, to get the instructors, to get the type of space necessary to make this happen.

Needless to say, the classification of the individuals, which today with the population, becomes a tremendous job in itself.

I look for a lot of problems even though, the concept is excellent, and it should be looked upon really encouraging, but at the same time, I would like to hear from an awful lot of people in various cities where the problems are, to see just exactly how they can put a program like this into effect without dismantling the type of institution they have or without building some other supplement to that institution that would provide this type of accessibility.

It is a difficult task. If you go around the country, which I have in my years, we have tried to look at what was going on. We never got the priorities, funding priorities, to make some of these things work for us, even to provide the basic needs to the individual, let alone to go into some real long range program where you can do something beneficial to all.

Mr. SCHOFX. I think you are quite right, Mr. Chairman. Of course, we do not purport to suggest by passing this piece of legislation that it would solve that problem that you speak of.

If you go from State to State—Alabama right now, as a result of a Federal Judge saying this place is just unacceptable, and you will do all sorts of things to improve it. The very detailed, heavy document describing in almost minutiae detail as to what will be done here, I read recently cost $400 million to bring that system to the level of acceptability.

I think what is happening around the country is the sentiments or concerns you have are being expressed in a number of areas. Increasingly, it is going to go on.

I think the important thing that we provide—we as professionals in corrections—provide models for one another to look at when we are caught in these God awful kinds of problems and conditions.

In your State, some of these problems you had at Attica. We are aware of those and look at those very carefully so we can learn from experience. I would certainly support looking at models that exist in some places in this country—you will be hearing shortly some testimony that is talking doing work in Connecticut. I think we have models to look at. Theory is all very nice, but to be able to go into a State and see models. For example, we were discussing at breakfast this morning, in the State of Texas they are rehabilitating school buses for school districts. It is an exciting idea. I am anxious to get

down and look at it. You do two things, not only do you give the inmates a worth while working experience, but with the school districts up to their eyeballs in expenses, furthermore, with this California bus crash a week or so ago, there is a great deal of interest in safety in buses. I think, there is going to be heavy money that has to be put into school buses.

If a prison industry can be developed in that fashion to assist several problems, I think it makes good sense. The beauty is the model there. We can look at it. The more models, New York, Minnesota and other places will have as they begin to solve some of those God-awful problems that we are facing.

Mr. ZEFERETTI. I think that is an excellent suggestion, also. We are trying to put together some pieces of legislation which the American Bar Association is advocating. I am talking about the people that work within the system itself, so maybe once and for all we can sit down and come up with some working type of ideas and some working type of priorities. We have all talked about this thing. We have gone around and around in circles for years. Unless we get together, the people that work within the system itself with some beautifully structured type of idea such as you are advocating, we are going to be in trouble for many years to come.

I want to thank you for your testimony this morning.

Mr. DENT. I thank you both.

Mr. ZEFERETTI. Our next witness is Mr. Robert Christie, vice president of ECON, Inc., accompanied by William Nagel, executive vice president of the American Foundation, Inc.

STATEMENT OF ROBERT CHRISTIE, VICE PRESIDENT OF ECON, INC., ACCOMPANIED BY WILLIAM NAGEL, EXECUTIVE VICE PRESIDENT OF THE AMERICAN FOUNDATION, INC.

Mr. CHRISTIE. Mr. Chairman, we would like to thank you for the opportunity to appear before this committee today to testify on this important bill.

Mr. ZEFERETTI. May we interrupt you just for a moment.

The bells are going off again. I think this might be a quorum notice.

Mr. DENT. Let's keep going.

Mr. ZEFERETTI. Please continue.

Mr. CHRISTIE. As a prelude to my comment on the bill, I would like to give the committee an overview of a study which ECON and the American Foundation are undertaking for the Law Enforcement Assistance Administration.

The study is entitled, "A Study of the Economic and Rehabilitating Aspect of Prison Industries."

This is a study which has been going on now for 12 months and is scheduled to end in June. It has involved perhaps as many as 45 to 50 people at any one time and perhaps 14 to 15 people on a full-time basis.

The major portion of the study is being conducted by two organizations, namely, ECON, Inc. of Princeston and its principal subcontractor, the American Foundation Inc.

To provide you with some perspective on the views which we will express later on, I think it is important for you to know that the

American Foundation has had extensive experience in the field of corrections over a number of years. The executive vice president of the American Foundation, Mr. Nagel, is a well known expert in the field of corrections. He has authorized a text on prisons called "The New Red Barn" several years ago, which was based on a very extensive visitation program which he made to, I believe, over 100 prisons throughout the country.

ECON, Inc., on the other hand, is a private, economics consulting firm, which works with business and with government.

Until our involvement in this study, we had no previous experience in the field of corrections. We have spent a great deal of our energies in the Government area looking at the economics of advanced technology systems, doing work, for example, with NASA on the cost and benefits of high technology and high cost systems.

So we have a mix of views and capabilities which was brought to bear on the problem which LEAA wanted us to address.

That problem really had three aspects.

First: There was the research side. LEAA was interested in promoting a research effort which would describe how a typical prison industry system operates when one looks at a broad spectrum of prison systems across the country.

Second: To come up with a new approach to reorganizing the way prison industries function today. The second component of LEAA's work statement involved an evaluation of the business management and rehabilitative aspect of prison industries. We were asked to conduct an in depth study in a single State, after having viewed the State of prison industries in seven States across this Nation, to pin point the specific problem areas with respect to the business management and rehabilitative functions in prison industries and to come up with specific recommendations for changing prison industry. The third purpose of this study was to provide technical assistance for the implementation of the recommendations.

To provide you with a broad perspective on the nature of the areas that we look at in this study, I have listed for you the major tasks involved. (slide 1)

In the first place, we undertook an extensive review of the literature with respect to corrections and correctional industries. That includes not only promising and innovative programs but as well, the legal framework under which a number of correctional programs operate today.

The second major task involves the visitation of a number of correctional systems throughout the country with a view toward learning as much as we could about the different forms of prision industry that exist today and how well they operate. Another purpose of the field visits was to select a single State to study in depth and come up with specific recommendations on how to recast the role of prison industries and implement some major recommendations for change.

Once the host State was selected and that is the State in which the detailed study was conducted, there were a number of technical tasks which we would undertake.

One was to look at the job market in the host State. The purpose here was to correlate the potential job market for ex-inmate workers with the occupations and skills developed in the prison shops that

we found in that State. The second objective of that job market survey was to attempt to identify new prison shops that could be developed which had a viable job market forecast for the future period when those new inmate workers would return to the community.

The second technical task within the host State was to take an extensive look at the characteristics of the labor force within the prison. This included an examination not only of age and educational achievements, but also job skills, vocational aspirations and offender criminal records in order to understand the nature of the inmate population we were dealing with.

In certain institutions, one would find a high proportion of repeat offenders. In other institutions, as was discussed earlier, by virtue of classification system, one would see relatively young, relatively nondangerous offenders, the first time offenders. And the idea was to begin to look at the important characteristics of the inmate labor force which might dictate appropriate choices for a prison industry within a maximum security setting as well as a prison industry for, perhaps, minimum security setting.

In addition, a technical effort was conducted to study the sales market for prison made goods within the State. This initially focussed on the sales markets available to the industries which now exist within the prison, and once again, to look beyond existing prison industries and identify sales markets which could support the creation and operation of new prison industries within the State.

Finally, the major technical task was to do a detailed economic and management review of prison industries within the host State, and that broke out into a number of specific tasks which I have delineated in slide 1.

We went into each of the shops and did a production analysis. We looked at the impact of the industrial work program on institutional security. And indeed, as was alluded to earlier this morning, what we found was that the disciplinary infraction rate for those inmates who were involved in an industrial work program was close to one-third the rate of disciplinary infractions for the general inmate population.

So we found very definite evidence of the impact of prison industries on institutional tranquility.

Finally, in examining each one of the shops, we did a detailed examination of their costs and their profitability potential in order to determine whether or not those programs could support improved wages to the inmates, which we came to feel was quite necessary in order to encourage the inmates to work with the kind of productivity that the real world requires.

Finally, we looked at the job placement services that now operate with respect to the prison industry shops and the kind of post release information system that the prisons maintained to see whether or not they were, in fact, collecting data and feeding it back into the institutional program which would be able to correlate a person's participation in an industrial work program with his degree of success in terms of successful integration into the community upon release.

All those detailed studies led to specific recommendations for reorganizing the prison industries, and then there was to be technical

assistance, some of which we have already provided and some of which is ongoing at this very moment.

We visited, in the course of the host State selection process, correctional systems in seven States which I have listed on the slide (slide 2). Those seven States were selected with several viewpoints in mind.

First: The study team wanted to expose itself to a number of forms of prison industry operations.

For example, in Illinois, it was known that at least two of their prison industries were operating on a kind of profit-sharing basis. So we were most anxious to see how the inmates responded to that.

In Minnesota, of course, we were aware of the legislation which permitted private industry to go into the prison and set up shops, so we were most interested in visiting Minnesota.

Colorado was known to have some very interesting hobbie shop kind of operations, one of the reasons why we went there.

Connecticut had a couple of very interesting things.

One: It had a relatively high unemployment rate; Two: It was a strong labor union State, and Three: It had the unique characteristic that the Department of Prison Industries was ultimately under the responsibility of the Director of Education.

So with a view toward making sure that our seven-State visitation program encompassed a variety of prison industry programs and that we included, as well, different geographical regions of the country, we made this initial selection of seven States and proceeded on a 3-month visitation program, to go to those States, discuss the prison industry programs, look at them, look at the records, talk with the wardens, talk with the administrators.

Mr. ZEFERETTI. May I interrupt you just for a moment, Mr. Christie.

What was the inmate population in those seven institutions?

Mr. NAGEL. We went to 31 institutions, seven States.

Mr. ZEFERETTI. I am talking about the State institutions as a State. What was the prison population?

Mr. NAGEL. Colorado had a state prison population of 3,000. Connecticut had a population of 3,300. Georgia had a population of 14,000. Illinois had a population of 9,000. Minnesota had a population of only 2,100. Pennsylvania had a prison population of 7,000. Washington had a population of just under 3,000.

Mr. ZEFERETTI. The reason I ask that is your reason for taking, I understand, are related to the different programs within the State areas. Also, I feel if you went into areas where they had large populations, I think that would give you a different direction as to what was going on.

Mr. NAGEL. First of all, we did not go into New York State because a massive study had just been completed by prison industries there by Arthur Little up in Boston, and we had that available. It was four volumes. That was available to us. We did not want to replicate that.

A very excellent study had been made in New York State. That was available. Texas, we did nothing for reasons that were philosophic, pretty much. They do not pay prisoners a penny. It is one of the few States in the country where there are no inmate wages.

In the Texas system, there are 21,000 prisoners, and because of the

amount of productivity that there is in the State, on my expense. I went down to Texas and took a look at their system, so we saw that was not officially a part of the study. We though we could not exclude such a State, at least our knowledge.

I must add one other thing, too. Though in this study we only went to the seven States, we spent a lot of time in, just a relatively short period of time before that at the expense of my own foundation. I had visited 21 States to look at all the prisons in the 21 States relative to their needs for change architecturally and I had done this at the request of LEAA but at my own expense, the foundation's expense.

In that process, I visited all the prisons in 26 States including our biggest States, New York and California, and had visited the prison industries in all of those States, too. So we had a background beyond the seven States here.

Excuse me for the long answer to your question, but I thought it was important for you to know it.

Mr. ZEFERETTI. New York in itself is so unique because you have a city system that has a population of maybe from 10,000 to 12,000 people. Then you have the State system which is completely separated and the unique problem of the detainee's part of that overall system. That is why I am curious.

Mr. NAGEL. I spent a considerable amount of time in the proceeding study in the New York system just for some of the reasons. It is bigger than most State systems by far.

Mr. Christie, I do not know whether by accident or intent, we forgot to tell you why we went into Pennsylvania, Mr. Dent. I thought you would be interested in that.

Mr. DENT. I would be interested.

Mr. NAGEL. We went in for a couple of reasons. First of all, I am principal adviser to our Governor and Lieutenant Governor on all correctional matters and felt we were about to make some major moves in our State.

Second of all, we had, and I had hoped to develop it in new legislation, to enable things to happen in Pennsylvania that had not happened.

Third of all, Ernest Kline, who is our Lieutenant Governor, is passionately, concerned with correctional reform, as you probably know—passionately concerned about it—and was most eager that we visit their institutions and then make available to him the value of our insights.

There are other reasons, too.

Pennsylvania is a big State. It has megaprisons, as you know, all over the State and problems that are traditional to all the older and Eastern States, California, too.

Mr. DENT. Did you, by chance, go to the correctional institution in my district? It is supposed to be the maximum freedom prison, in Greensburg, Pa.

Mr. NAGEL. Yes, indeed.

Mr. DENT. Everybody in my district has a different opinion of it.

Mr. NAGEL. I have mixed feelings about it. It is not used for what it was built for. It was built to be a county jail and then sold to the

State shortly after its completion, then was developed into being what they call a community correctional center. It has much too much hardware for that purpose and not enough facilities for a traditional correctional institution because it was built to be for pretrial detaining.

So architecturally, it lacks a lot, either as a correctional institution or community correctional institution.

However, some of the leadership that has been there even though there have been problems, as there are with all institutions that use the community, there have been rather remarkable community responses in many ways to what has been happening there, and Westmoreland County has tolerated some experimental things in a way makes me, not as an outsider but one close to the things, feel very good about Westmoreland County.

Mr. DENT. You were there lately?

Mr. NAGEL. The last time I was in Greensburg was about a year and a half ago.

Mr. DENT. You know what happened in that situation? We built probably the nicest jail in the entire country. Then the State bought it.

Our Commissioners needed some money—without raising taxes—so they sold the prison. Then they bought an old grocery store and converted it into a prison. They renovated the building but forgot to put the furnace in. They had to tear the roof off to get the furnace into the building. It is in the middle of town. There has been a lot of controversy over that situation back home. Many people are opposed to the so-called liberal view of prisoners' rights.

Mr. NAGEL. I think some of the liberal views are being modified partly because of the fact that Commissioner Robbins and the new commissioner of corrections there—let's say he is less radical than some of the preceding leadership. I am not suggesting he is reactionary, because he is not. He is less willing to just stick his neck out on things that have not at least some hope of success.

I think he moves a lot more slowly in bringing the community along than perhaps his two predecessors.

Mr. DENT. Thank you.

Mr. ZEFFERETTI. Mr. Christie, do you want to continue?

Mr. CHRISTIE. I think the major points I would like to call your attention to beyond the obvious implications of some of the statistics on this slide, we did do a very extensive analysis of the work programs and records in prison industry systems in the seven States.

The major point I would like to call your attention to are the principal findings.

With some rare exceptions, we found that prison industries contributions to the State, to the prisons and to the inmates fall far short of their potential in this regard.

The potential, as has been discussed this morning, contribution of industries to the States lies in several areas.

One, it can provide, as in the way of school buses, in the case of equipment for human services like eyeglasses, dental plates, it can provide considerable cost savings to the State agencies who are financially hard pressed now. It can provide an opportunity to offset a

portion of the cost of incarcerations, and those possibilities are not being realized today to anywhere near the extent that they could be realized.

In the case of the prisons, I earlier alluded to the fact we have some very persuasive data that inmate involvement in industry programs does correlate with a less frequent disciplinary infractions.

So we think it has some benefits to the institution.

Finally, it has benefits to the inmate, not only in terms of increased earning power and his ability to support his family, to pay taxes, to begin to acclimate even within the prison setting to some of the demands of the outside world, but as well, provide him with a work experience which does afford a much better opportunity for him to find gainful employment when he ultimately returns to the community.

Mr. ZEFERETTI. Mr. Christie, will you supply the committee your analysis, the factsheets of your analysis?

Mr. CHRISTIE. Yes, sir.

The second point is that the causes of this general state of affairs are really numerous and quite complex and at the risk of appearing as though we have the total answer to the problem, which I do not wish to suggest at all, I do think that our involvement in this study and the extent of our efforts have led us to some important insights which are associated with your bill.

The typical problems affecting prison industry, I believe, can be classified according to a hierarchy of causes.

First, starting with the prison shops themselves. Within the prison shops, one finds problems both with respect to industry management and industry operations.

First of all, within the shops there are low wages and low productivity. Typically, the wage paid to an inmate ranges from 50 cents a day to $1 dollar a day and that is paid across the board, no discrimination is made on the basis of whether or not the worker is skilled, unskilled or, in fact, a highly skilled worker.

Second, there are very short work days in a prison setting. In Connecticut, for example, though there is nominally a 6-hour workday, in fact, when you clock the inmate workers and actually see how much of that 6-hour workday is devoted to work in the prison shop, you find that because of numerous interruptions, typically 3 and $3\frac{1}{2}$ hours is the typical workday within the prison.

As a result of that, one finds in a given shop that there are more inmate workers in that shop than are really needed for the production volume of that shop.

The consequence of the additional unnecessary workers within a shop is that there is also overstaffing in the shop in terms of the number of supervisors. That in turn leads to a very high overhead rate on the industry operation.

Beyond those considerations, the final records and controls of prison industries, and this is a general statement, certainly as we have examined the programs in the seven States, it does not apply to each and every State, but it is fairly generally applicable that the final records and controls of State prison industries are really quite poor.

The accounting systems are not designed or implemented in such a way that the industry manager really has a handle on what his costs are or, indeed, on what his profits are.

The net result of all of that is frequent losses that one sees on prison industries annual statements at the end of each year.

Because of the prevalence of outdated equipment and product lines in many prison industries, there is, in fact, a lack of transferable skills that the inmate worker will need when he attempts to find employment upon release. That lack of transferable skills then leads to a limited preparation for release of the inmate into the community.

In addition, we find very limited marketing efforts in prison industries across the country. If there is any sales force at all, it is typically one salesman to cover a whole State, and frequently there is no product catalog which that industrial system has to offer its potential clients.

Finally, there is a great deal of lack of accountability within the shop. Inmates are not clocking into the shop, so it does not matter if you work a 1-hour day or you work a full 5-hour day, you still get paid the $1 a day.

In addition, there is no systematic performance evaluation of inmate workers that takes place within prison industries shops.

With respect to the shop supervisors, there are frequently no sales, no production goals, no revenue goals.

There is no systematic performance evaluation of the industry supervisor. The workers in the prison industry shops frequently are assigned to those shops, either by the warden or by the classification committee, not by choice of the prison industry manager.

So there is very little accountability on the prison industry manager in recognition of the fact he does not really have very strong controls over who is in his shop and how well he is performing.

Those problems of industry management in operations can be linked to the problems presented by the institutional setting. That is, I think as was alluded to earlier, there is an institutional routine which is very difficult to modify. That institutional routine includes, for example, schedules of not only custodial staff but the psychologists, the medical staff, the social workers, even the visiting hours, all of those rigid institutional schedules imply that the prison industry worker has great pressure to leave the shop during the day and operate within those institutional schedules and that in turn leads to a very short workday and encourages really a whole host of problems I cited within the operations of the industry shop.

Those two major problem areas, the constraints of the institutional routine and the spinoff on prison industry management and operations, I really see those two things as being linked to the lack of well defined industry goals and standards of accountability to the commissioner of corrections.

The goals, as we will see in a moment, are rather general and very difficult to measure, so there is no emphasis, once again, with respect to accountability.

The lack of well defined industry goals, I believe, in major part comes about because of the very limited markets that are available to prison industry even in those States which have State use laws.

State use laws, I am sure you realize, will provide assurance to the prison industry that State agencies and, in some cases, municipalities are required to buy their supplies from prison industries so long as—within State, now—so long as the quality of those products is adequate and the price is no higher than the market price.

Even in the face of those laws, the markets that are available to prison industries are quite small. The reason why those markets are quite small, and this is the final level of the heirarchy of problems that I see, is because of some of the political realities within which corrections must deal.

You gentlemen and Commissioner Schoen alluded earlier to some of the problems that arise with respect to labor, some of the concerns that historically have been evidenced, certainly the State leadership when it realizes that one way to increase productivity is to pay improved wages is going to be concerned about how the citizenry might react to that.

There is also concern about what private industries' reaction might be if industry goes after an increasing share of the market.

Obviously, there are some exceptions to the points I just made, and certainly Minnesota is one of them. But I am trying to characterize the typical problems that prison industries face throughout this country.

Mr. ZEFFERETTI. Mr. Christie, would you say if, in fact, there were goals prescribed that unless the routine within the confines of the institution were changed where you could get productivity out of the individual inmate that the reality of getting a productive inmate or the product produced in a productive way would be nil.

Mr. CHRISTIE. I think there is no question about that at all. I think that in the outstanding example where productivity has been achieved almost across the board in the industries which were cited earlier today, namely, in the State of Texas, the institutional routine does not dictate the operations of the industries.

It is rather the reverse. So I think, yes.

Mr. ZEFFERETTI. Do they pay their workers in Texas?

Mr. DENT. Do they pay their prisoners in Texas?

Mr. CHRISTIE. In Texas, they do not pay their workers in money. There is a system, I believe—

Mr. NAGEL. They pay them in time. For every day they work, they earn 2 days. That is the method.

Mr. DENT. Two days off of their sentence?

Mr. NAGEL. Yes, they earn that. The actual day plus one more day.

Mr. ZEFFERETTI. The running of an institution has to have all the components you mentioned—medical care, social work care, religious care. You can go right down the line. I can see where you can completely dissolve that type of institutional care practices and still create an atmosphere, as we do in a regular industry.

I think it is an almost impossible task. Then again, too, when you talk about the number of people that turn out for a specific type of job, which is not indicative of their skill, but more of what the institution is looking to get out, by that I mean, if there is an institution just for the sake of getting people into a work shop or a work shop program, to get people to be interested in doing something out-

side of the cell block area, you will find that that creates a different type of a problem for that particular little industry that is trying to get accomplished, whether it be a mechanic shop, an auto shop, whatever it might be, there is also an over abundance with inmates with nothing to do anyway.

They are just all over the place. That is a practice, I believe, not only in your findings, that is a practice that has been going on for 50 years regardless of the type of industry in an institution. These are problems again of overcrowding, having the type of institutions not able to classify properly those inmates that want to do something.

And I wonder if, in fact, it is not, in the end, the inmate that suffers, because the inmate that wants to work and wants to be productive and wants to learn the skill, more times than not could be classified into a different type of job than really is provided for, by virtue of numbers alone because you can't supply.

Mr. CHRISTIE. Mr. Chairman, I would like to respond to those two points.

I think they are very important. I certainly did not wish to suggest that we would in any way minimize the role of the supportive services that are needed within the institution—medical care, the psychologist, the social worker, what have you.

I think one can ask, however, how can one rearrange the schedule of those services so that it does not necessarily interrupt the workday.

Now, that is a difficult problem and it is a problem that we have been struggling with in Connecticut where we are doing our indepth study. We have been discussing the problems with the warden and his custody staff. We have been discussing the problems with the social workers, with the psychologists, with the treatment staff in the prison, we are trying to redesign—I think we will be successful in Connecticut—to redesign the institutional scheduling so that those services are provided still to the industrial workers but in such a way that it does not interrupt the work day.

For example, one typical interruption of the work day is simply the inmate needs a hair cut. Those are services which one could arrange outside of normal work hours, and I think in some of the other areas, there is opportunity for flexibility.

And I can tell you that while that is certainly a very important problem, the warden of the maximum security institution in Connecticut, with whom we are working, is very anxious to rearrange the schedule with the full cooperation of his staff in such a way that we can get the full work day in.

Mr. ZEFFERETTI. I wonder how they are going to achieve that. If you have an institution that has a work force and you have another part of the institution that you have maximum security and the people that just would not cooperate regardless of what you did, there is still the running of an institution that is involved, and you can sort of segmentize this group to get this and that group to get that and the like, because the hours and the framework in which you have to work in and the amount of staff you have to work within that, it almost makes it an impossible task for that administrator, for that warden to comply.

It makes it quite a job for him to try and fit in everything. You have visits going and medical; it is almost an impossibility, because you are going to have to split your institutions into different types of sexes to get different types of care. It becomes a tremendous task for the administrator of that institution.

Mr. NAGEL. It is a problem that different people have attacked.

By the way, I ran an institution for 11 years. I know those administrative problems you are talking about. I know, too, very frequently the routine of the institution becomes to be an all and ends all of the institutions.

Everything works around accounts and all that sort of thing. We have been asking institutions to relook at their schedule and the routine. We have seen in Minnesota, they mentioned in their testimony today, that they have done unit sort of arrangement. They have broken their big institutions into units and units have more flexible schedules according to the type of individuals in it.

We saw in Texas, for example, an adjustment to the multiple interruptions and yet they wanted to get a full workday and, indeed, the inmates wanted a full workday because they were getting a day off for it.

We saw there, for example, that they worked 4 days, working 4, 10-hour days which many industries are doing in some places and had the 5th day off for all their personal things, their visits, their haircuts, their talks with their counsellors.

Therefore, the only other interruptions during the work day were those real emergency interruptions that would have to go to a physician because you had a physical problem or dentist because you had an acute toothache or some thing of this sort.

But all routine things were scheduled for them around their 5th day.

We find that many correctional administrators are willing to be a little bit more flexible in relationship to schedules and say, okay, our needs are not the only needs in this institution.

We have to adjust to other real needs, including that of production, including that of treatment, including that of education and so forth. That is it.

One of the very minor things that seems to be almost inflexible, you have always been able in institutions to get guards to work around the clock, but all the white collar people—everybody wants to work from 8:30 to 4:30, and getting counsellors, for example, getting them to work during an evening hour was practically an impossibility. They would quit and so forth.

We found in a few institutions where wardens had the guts, if you will, to say problems developed in this institution in hours other than 8:30 to 4:30, we want staff other than guards around. People did not quit, so we found in some institutions where some treatment people came in at noon and worked until 8:30, for example, so that services were available over a longer period of time.

But your questions show your own personal insights into the problems of institutional management, because they are very real.

Mr. CHRISTIE. The other point I wanted to respond to, Mr. Chairman, is the point you made about the number of inmates who are not gainfully employed and may now be assigned to make-work kind of situations.

What we found in the maximum security institution in Connecticut, which has a population of about 960 inmates, was that the institutional maintenance work and operations work accounted for about 19 percent of that population.

Training programs, either academic or vocational, together total about 15 percent of the inmate population. Industries themselves involved about 18 percent and 47 percent of the population were unassigned.

To be sure, a portion of that unassigned group was at the time those data were taken in the diagnostic center of going through the work up, but the bulk of that group were, in fact, not participating in any work program.

Our view is, if you were to expand the work opportunities within a prison, you could employ a great deal more than is currently being achieved, and in the course of doing that, reap benefits to the States in terms of reduced expenditures as well as benefits to the inmates as well.

What I have done in this slide, is to examine the market operations of a State use prison industry system; that is, where the product markets are composed of State agencies and municipalities. I have contrasted the annual sales of prison industries to the market potential which we define as the amount of money spent by State agencies and municipalities on those kinds of products produced by prison industry last year.

And even in the face of a State use market which requires that State agencies buy from the industry shops given acceptable quality and price not exceeding the market price, what we see is that, in fact, the percentage of the market which is captured by prison industries typically ranges from 2 to 4 percent.

The reasons for that are some of those that I cited earlier, namely, the notion that prison industry should operate in a low profile mode because of concerns about the possible reaction of labor, the possible reaction of private industry, the possible reaction to the citzien of paying improved wages, which is the only way one can achieve productivity without going to a sort of good time system.

So we think the opportunity to expand industries is there. What is needed is the political impetus to move off the dime.

In that connection, we have defined a new model for a prison industries which we call the free venture model, which basically intends that prison industries, as much as possible, ought to strive to achieve the working environment that is attained in the outside world of work.

We have developed very specific criteria we would have industries follow in the State of Connecticut and we are getting very positive reactions both from industry staff, from the administrators and, indeed, from inmates.

This thrust of our program, of having industries operate as closely as possible to industries on the outside is, of course, very much what you have heard this morning, and Minnesota is a specific instance of how it would work.

Mr. ZEFFERETTI. Mr. Christie, when did you conclude this survey? When was this done?

Mr. CHRISTIE. The survey or the study?

Mr. ZEFERETTI. The study.

Mr. CHRISTIE. The study is concluding at the end of this month.

Mr. ZEFERETTI. Have you relayed most of this information to correctional systems throughout the country, to those that you visited? How are you handling the distribution of your study?

Mr. CHRISTIE. When the final reports have been accepted by LEAA, we are required by contract to turn it over, and it is their intent to distribute it widely among——

Mr. ZEFERETTI. It is going to be done through LEAA?

Mr. CHRISTIE. Yes.

The thrust of the free venture model is, first of all, to achieve a real world work environment. And specifically that means a full work day, it means inmate wages based upon work output. It means productivity standards comparable to the outside world businesses. It means a hire and a fire process subject to due process considerations. Equal opportunity should certainly be part of that. It means achieving transferrable skills training and demonstrating that you have done that by putting financial incentives on industry for job placement of offenders, of ex-offenders as they leave the work setting and they go into the community.

We would urge with the higher wages that, indeed, there be a charge back to the inmates. We have discussed this with the inmates, and they are quite agreeable to the idea, a portion of which could be to reducing the cost of incarceration, a portion of which would go to reducing welfare payments in the case of inmates who have families on welfare, and we hope to work out on a case-by-case basis payments restitution payments to victims. Obviously, the sum total of these deductions, when taken out of gross wage, cannot result in net wages which are not significantly better than what the inmates are getting now, and we have worked out a program where they are significantly better.

Right now in Connecticut, as in many States, the going wage for an inmate worker is $1.00 a day. We will be able to achieve, I believe, at least a net wage of a $1.00 an hour after having taken out these deductions, all on the presumption that we can get productivity up to the levels required and expand the markets that are there to be attacked.

The intent of LEAA's program is to redirect the goals of prison industries so that they provide a work opportunity which mirrors the outside world of work as closely as possible. The actual forms that the free venture model can take on would involve the use of private industry as in Minnesota, State-run industries, production-oriented shops and service-oriented shops, shops for the relatively long term offenders and shops for the relatively short term offenders.

A specific program encompassing all those ideas is now coming to fruition in the State of Connecticut. We have been discussing with the officials all along, this past 6 months, details of these programs—a very positive response. And we expect Connecticut will soon provide another model much like Minnesota is now doing today on how prison industries can redirect their operations.

What has all this to do wih the House Resolution 2715? From my point of view, that bill has three very important advantages. First,

it would remove a Federal Government constraint on the restricted markets now available to prison industries. Second, in the process of doing that, it would add impetus needed by many States to revise some of their own legislation which restricts the within-State market of prison industries and finally, since the bill requires that those State prison industries who would sell their products in interstate market must imitate private industry in the matter of wages, then by economic necessity, they would also require prison industries to imitate private industry in the matter of productivity and real working environments, which we believe is urgently needed if correctional industries are to achieve the objectives it has set for itself.

That concludes my testimony, Mr. Chairman.

Mr. ZEFERETTI. Thank you, Mr. Christie.

Do you want to add something?

Mr. NAGEL. Let me add a sentence or two. I did not even intend to be sitting up here. I came to listen.

One of the things we learned in our study was that in Connecticut, 73 percent of the inmates in that Connecticut prison system were unemployed at the time of their offense for which they were committed to prison, and that 40-some percent had never worked in their life—40 percent had never worked in their life. We feel that their prison experience up to now has not changed a bit of that, that their familiarity with the world of work is practically nonexistent. Unless there is something done to turn that around, you can be sure the rest of their life would be from stealing, or making a living somehow hustling outside the law.

I have been in this penology business every since 1946, and I got a lesson last night in penology. My nephew is the commercial attache in the American Embassy in Tokyo, Japan. He happens to be home on a short leave and I spoke with him. I asked him what about the Japanese prison system. He told me that we—the United States had set up the most effective prison industrial system in Japan that ever existed. Apparently the fellow named Lovell Bixby, who was the Deputy Director of Federal Bureau of Prisons, was made a Brigadier General during the American occupation and went over there. This is American ingenuity doing this.

One of the things they did there was create a prison system that was part of the general economy of Japan, and the components of almost every product you might buy on the Japanese market might well be made in a prison. One of the interesting things is that the persons who come out of prison—they are working in prisons for commercial enterprises—and when they come out of prison, they go to work for that commercial enterprise.

Mr. DENT. I just whispered to Dom the peculiar slant to this. I have seen this all over the world on investigations. In the early sixties I headed the Ad Hoc Subcommittee on the Impact of Imports on American Employment. During our overseas investigations we learned that the Japanese prison system has a sophisticated inmate employment program with private industry. It is ironic that we were denying American prisoners the privilege of earning money by working on products sold in the American market while American consumers were buying imported goods produced in whole or in part by Japanese prison workers. Everytime you buy an automobile,

a television set, you are buying something made by Japanese prisoners.

Mr. NAGEL. This is what my nephew the commercial attache told me the night before last.

The other thing he told me was that Japan is the one industrial nation in the world with a decreasing prison population.

Mr. DENT. They are going to go to work. I was thinking of that. A lot of these unemployed people could be desperate enough to go into prison for some slight offense just to get a job. It sounds silly, but I am a believer that every man in America potentially is a person who wants to work.

Mr. NAGEL. If what you said is true, and it seems like it could well be, that one would commit an offense to get there, it rather is a sad commentary on our employment situation.

Mr. DANIELS. I would like to ask Mr. Christie a question. Does your testimony relate to surveys made of State and local prisons, but not Federal prisons?

Mr. CHRISTIE. State prisons.

Mr. DANIELS. Could you furnish the committee with some statistics dealing with the age populations in these prisons? For example, in your chart, you pointed out seven States that you have inspected, Colorado, Connecticut, Georgia, Illinois, Minnesota, Pennsylvania—Washington. In the State of Georgia, for example, you said there are 14,000 prisoners there; could you furnish the committee with data relating to the ages of those prisoners?

Mr. CHRISTIE. I will be happy to furnish the committee with whatever data we have.

Mr. NAGEL. We have data in all the States that can be extrapolated, but we have very precise data in Connecticut. Because we visited adult institutions, which in many States the minimum age is 18 or 16, different States are different, in every State we found that the curve peaked somewhere around 24 or 25, 18 or 24, then it dropped down and extended out. I think the average age of the Connecticut prison system was 26.8.

Mr. DANIELS. I am particularly interested where that peak is because recently a subcommittee which I chair, the Subcommittee on Manpower, Compensation, Health and Safety, reported a bill entitled "Youth, Adult Assistance Corporation" which would provide for youth between the ages of 16 through 23 years of age to be enrolled in conversation programs in the national parks, forest and so forth. I think your figures will be helpful to us in the study of crime in the United States. We would like to get these kids off the street and send them to the Youth Conservation Corps programs, which we propose to do on an annual basis since the present law only permits that to be done for about 8 to 10 weeks during the summer months. Recently the House passed legislation dealing with this question of youth, adult conservation work and which provides young people be provided an opportunity to work on conservation projects during the entire year or for several periods of time during the year—I think it would be very, very interesting to watch that program, how it worked to see what effect it would have on crimes and particularly in our urban areas.

Mr. NAGEL. The members of this committee are more familiar than I of the unemployment of young people in this country. The unemployment rates reported and unreported between 16 and 22 very much frightens me. They frighten me very much. In my city of Philadelphia, we have 47,000 unemployed people between the ages of 16 and 21 in north Philadelphia alone, three infantry divisions of people walking the street without jobs in that sensitive age group. That is a very frightening thing.

Mr. DANIELS. Those figures would be very interesting to our committee and quite interesting to people engaged in law enforcement.

I will ask for consent that the witness may submit that data for the committee and be made part of the record of this hearing.

Mr. ZEFERETTI. Yes.

[Note: Data could not be furnished.]

Mr. ZEFERETTI. We want to thank the two of you.

Mr. NAGEL. We appreciate the courtesy.

Mr. SHEFRIN. May I ask on behalf of Mr. Quie that we obtain the masters of those visual aids that have been used in printed form for inclusion in the record? And the second thing, that the record be kept open for 30 days for additional statements?

Mr. DENT. Without objection, that will be done.

[The visual presentation is reproduced below]

MAJOR TASKS OF THE PRISON INDUSTRY STUDY

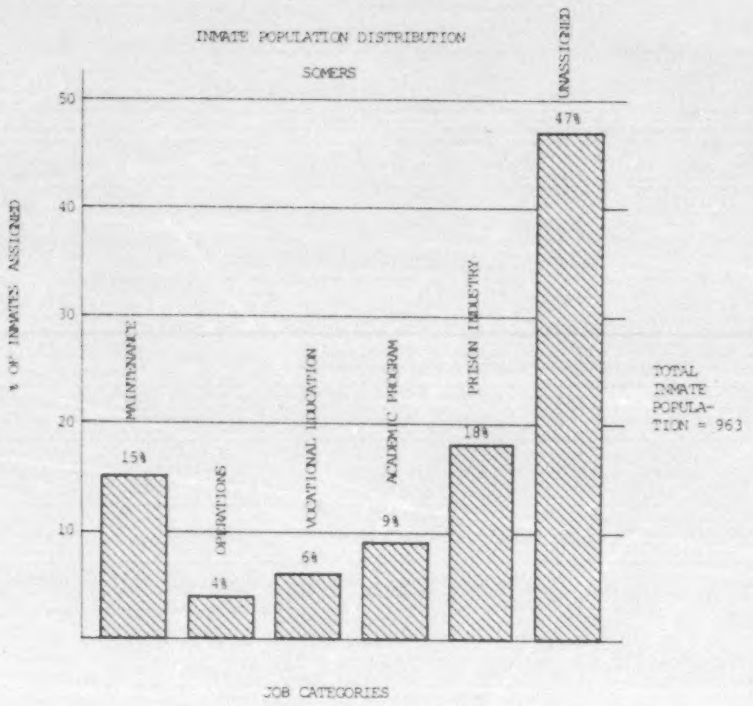
- LITERATURE REVIEW
- HOST STATE SITE SELECTION
- JOB MARKET SURVEY
- INMATE MANPOWER CAPABILITIES SURVEY
- SALES MARKET SURVEY
- ECONOMIC AND MANAGEMENT REVIEW OF PRISON INDUSTRIES
    - PRODUCTION ANALYSIS
    - CUSTODIAL ANALYSIS
    - PROFITABILITY ANALYSIS
    - POST-RELEASE PLACEMENT SERVICES AND INFORMATION SYSTEMS
- RECOMMENDATIONS FOR PRISON INDUSTRY REORGANIZATION
- TECHNICAL ASSISTANCE

OVERVIEW OF SURVEY OF STATE PRISON INDUSTRIES

- VISITED SEVEN STATE CORRECTIONAL SYSTEMS:

  COLORADO — MINNESOTA
  CONNECTICUT — PENNSYLVANIA
  GEORGIA — WASHINGTON
  ILLINOIS

- EXAMINED 34 PRISONS AND 80 PRISON INDUSTRY SHOPS
- INSPECTED: WORK/TRAINING PROGRAMS, PRISON BUDGETS, INDUSTRY FINANCIAL REPORTS, INSTITUTIONAL INMATE RECORDS AND POST-RELEASE INFORMATION SYSTEMS
- INTERVIEWED: CORRECTIONAL DEPARTMENT ADMINISTRATORS & CENTRAL OFFICE STAFF, WARDENS & INSTITUTIONAL STAFF, PRISON INDUSTRY DIRECTORS & SHOP SUPERVISORS, INMATES
- PRINCIPAL FINDINGS:
  1. WITH RARE EXCEPTIONS, PRISON INDUSTRIES CONTRIBUTIONS TO THE STATES, THE PRISONS AND THE INMATES FALL FAR SHORT OF THEIR POTENTIAL.
  2. THE CAUSES OF THIS STATE OF AFFAIRS ARE MANY.


INMATE POPULATION DISTRIBUTION
SOMERS
% OF INMATES ASSIGNED
50
40
30
20
10
MAINTENANCE
OPERATIONS
VOCATIONAL EDUCATION
ACADEMIC PROGRAM
PRISON INDUSTRY
UNASSIGNED
15%
4%
6%
9%
18%
47%
TOTAL INMATE POPULATION = 963
JOB CATEGORIES

STATE-USE PRISON INDUSTRY MARKET IN CONNECTICUT*

SHOP	PRISON INDUSTRY ANNUAL SALES	STATE-USE MARKET POTENTIAL	% MARKET CAPTURED
PRINT	$200,000	$8.3 MILLION	2.4%
FURNITURE	204,000	5-6 MILLION	3.4-4%
TYPEWRITER REPAIR	4,000	$700,000	.6%
OPTICAL SHOP	6,000	175,000	3.4%
DENTAL LABORATORY	16,000	700,000	2.3%

*DATA FOR FISCAL YEAR ENDING 1975.

GOALS OF ECON'S FREE VENTURE MODEL

FOR CORRECTIONAL INDUSTRIES

- A REALISTIC WORK ENVIRONMENT, INCLUDING
  - A FULL WORK DAY
  - INMATE WAGES BASED UPON WORK OUTPUT
  - PRODUCTIVITY STANDARDS COMPARABLE TO THOSE OF OUTSIDE WORLD BUSINESS
  - HIRE AND FIRE PROCEDURES, WITHIN THE LIMITS OF DUE PROCESS RIGHTS
  - TRANSFERABLE TRAINING AND JOB SKILLS
- PARTIAL REIMBURSEMENT OF THE STATE BY INMATES FOR CUSTODY AND WELFARE COSTS, AS WELL AS RESTITUTION PAYMENTS TO VICTIMS
- GRADUATED PREPARATION OF INMATES FOR RELEASE INTO COMMUNITY
- FIXING RESPONSIBILITY--WITH FINANCIAL INCENTIVES AND PENALTIES--FOR JOB PLACEMENT OF INMATES UPON RELEASE INTO THE COMMUNITY
- FINANCIAL INCENTIVES TO PRISON INDUSTRY FOR SUCCESSFUL REINTEGRATION OF OFFENDERS INTO THE COMMUNITY
- SELF-SUPPORTING OR PROFIT-MAKING BUSINESS OPERATIONS

Mr. ZEFFERETTI. Mr. Ward, please.

STATEMENT OF WILLIAM WARD, PRESIDENT, STILLWATER DATA PROCESSING SYSTEMS, INC.

Mr. WARD. Thank you, Mr. Chairman, members of the committee. I am the president of Stillwater Data Processing Systems. It is a private corporation operating in the Minnesota Department of Corrections independent of any State or Federal agency. We are in business to be a financially successful corporation.

We do hire people that are incarcerated and subject to the department of corrections, State of Minnesota. We also hire other people. I have currently four people that are assigned to the Minnesota prison at Stillwater. I have one other employee who is a college intern from Mankato State University. We have three basic product categories that we handle. They are custom-programing for computers for people, data processing services for people and also we are looking at proprietary packages where we can market a turnkey system that people can take and put in inventory, accounts payable and things like this.

The reason that we are in existence is, we are invited as business executives by the Minnesota Department of Corrections to establish a corporation specifically for the purpose of introducing private industry into the State of Minnesota. All the people that are involved in the corporation are acting as individuals, and we assistance, I would say, from the corporations that they come from—General Mills, Blue Cross and Blue Shield, Control Data Corp., Burrows, Honeywell, quite a number of corporations that are involved.

What we are all about it, we are offering jobs to people that have a data processing background, or have received some entry level training, and we want to pay a competitive wage and allow people that want to—to help themselves.

We are not in the business of saving people or anything like that. We are in the business of running a business.

Currently, our pay scale starts at $3 an hour and it goes to $4.61. We have a top salary right at this time of $11,500 that can be paid. We do not have anyone earning that much money right now. We do intend to escalate the salaries as soon as we do have some more financial solvency behind us.

I think the biggest reason most of the people that are involved in this corporation are involved is because of the astounding costs of incarceration.

We are looking to defer some of these costs wherever possible. We see this is a good opportunity. Obviously we can produce a product here with people that can feed the corporation, too, and not strictly at an entry level.

Again, now we are talking about perhaps senior-type level, levels where they do not have to work in the bursting room type jobs when they are released.

They do have a maximum visability from the corporations in doing work with the people and dealing directly with the corporations.

Of course, this is over the telephone, but they still have a good amount of visability, and it is a very good vehicle for people to view possible employees.

Just to run down some of the problems that we have had, we have encountered, and some that we have solved internally within the Minnesota State Prison.

Everyone mentioned the short workday. We said we cannot operate a corporation on a 6½ hour workday. It just does not work that way. We told them we need the people for 8 hours, and we do have the people for 8 hours.

The possibility exists, so we can work around locking them up from 12 to 1:30, and we can carry them on another type of count that occurs then and they can continue to work for the 8 hours.

We have complete latitude for hiring people and firing people. We can select anyone that we want to hire in the institution with the exception of the maximum security, the guy that just tried to go over the wall or what have you. He is locked up in the backroom, and we do not see him. But anyone else in the institution we can hire.

We have recognized the problem that people coming into the prison do not formally have data processing background, or out of a thousand people, we do not feed enough people into our corporation, so we have sat down and established with the Minnesota Department of Corrections a feeder system where they can take people and train them at the Minnesota Department of Corrections expense up to the entry level.

Then when we, as a corporation, hire these people, we assume the costs of all training from that level on.

The on-going things we have not solved internally as of this time are all of the procedures that are involved for getting supplies in and out, things of that nature. We are working on it, but it is something we have to develop.

Some of the external problems we have had, some things that we can look at certainly does not make it the perfect answer, by any means, is that people are locked up.

Of course, we have very little mobility and things like that.

Another thing, every employee that works for me, I have to hire, I have to go to the Minnesota corrections authority, which is the payrollboard, and ask them for work release status on these people so that our product can be sold interstate.

I think this legislation that we are looking at today, this H.R. 2715, would give us some flexibility in this area, certainly for my corporation. Particularly in the product line proprietary packages, Minnesota itself, even if we opened it up and marketed a proprietary package, there just would not be enough market there to develop it in Minnesota today. If we cannot go national, it would be silly to develop a package.

Custom programing for corporations that are large, 3–M, for instance, General Mills, again, if that is to be used in other States, people that are not on work release cannot work on the product. I have some very attractive looking people and they have very attractive talents that I have not hired to date because simply looking

down the pike. I realize we have to get people that can go on work release status.

So I do think the legislation we are looking at here would be a very positive factor for my corporation, and at the same time, it is not going to present—I do not see it, at least—presenting a threat to other people in the industry, particularly the data processing industry.

Mr. ZEFERETTI. Mr. Ward, how long have you been operating within the confinance of the Minnesota——

Mr. WARD. My employee started Monday.

Mr. ZEFERETTI. This Monday past?

Mr. WARD. Yes. Up until this time, I joined the corporation March 15 and we have been working on leasing the area and getting department of administration things, some of these problems worked out.

Mr. ZEFERETTI. How many employees that are confined inmates do you have?

Mr. WARD. Presently four. I have about four more than I could hire as I build a backlog. I presently have four inmates and one outside person.

Mr. ZEFERETTI. You said something about the process you go through—the institution feeds you the individuals you interview them and analyze their background and talents?

Mr. WARD. Yes; in order to hire these people, what I did—there were about 980 people assigned to this prison—I had 980 individual letters written up, and I had them disseminated through the prison. Of the response I had, I interviewed everyone that responded. A very small response, about 1 percent. Of those people, I have hired some people.

In the future, everyone that comes into that institution goes through the education office, and I intend to have the people in education let it be known to each person as they come into the institution that we are in there, and we are paying a wage and how they can go about being eligible to be hired.

Whether or not we hire them will be handled on an individual basis.

Mr. ZEFERETTI. Do you have a special housing area designated for your particular work?

Mr. WARD. We have rented an area within the prison that is set aside from the other areas. We are in a temporary area presently, but we have one of four areas that will be totally separated from all others.

Mr. ZEFERETTI. You supply all the machinery?

Mr. WARD. Absolutely. We certainly do.

Mr. ZEFERETTI. Thank you, Mr. Daniels.

Mr. DANIELS. You said you are a newly formed corporation?

Mr. WARD. Yes.

Mr. DANIELS. This is pursuant to the Minnesota law?

Mr. WARD. Yes.

Mr. DANIELS. Your corporation is Stillwater Data Processing Systems?

Mr. WARD. Yes.

Mr. DANIELS. With whom did you enter your contract?

Mr. WARD. I work for Stillwater Data Processing Systems.

Mr. DANIELS. But with whom do they have a contract for the hiring of prisoners?

Mr. WARD. For the hiring of the prisoners?

Mr. DANIELS. Yes.

Mr. WOOD. You have a lease contract.

Mr. WARD. That is the department of administration for the State, it is endorsed by the corrections and the prison itself.

Mr. DANIELS. But your corporation may not enter any prison in the United States that is operated by a State?

Mr. WARD. No, my corporation is set to enter any institution in the State of Minnesota.

Mr. DANIELS. That is because Minnesota law authorizes you.

Mr. WARD. That is right.

Mr. DENT. I do want to thank all the witnesses.

Mr. ZEFERETTI. I do too.

Mr. DENT. It has been a very enlightening meeting.

Mr. ZEFERETTI. I want to thank our chairman for giving me the opportunity to chair this morning.

Mr. DENT. I recognize ability.

Mr. ZEFERETTI. Thank you very much.

Mr. DENT. The subcommittee is adjourned subject to the call of the Chair.

[Whereupon, at 12:47 p.m., the subcommittee adjourned.]

[Material submitted for inclusion in the record:]

LEGISLATIVE IMPLICATIONS OF A STUDY OF THE ECONOMIC AND REHABILITATIVE ASPECTS OF PRISON INDUSTRY—JUNE 9, 1976

Robert J. Christie, Vice President, ECON, Inc.

I.0 Background

ECON, Inc. and its principal subcontractor, The American Foundation, Inc., are in the process of completing a study[1] of prison industries for the Law Enforcement Assistance Administration. The study had a threefold purpose:

A research effort geared to obtain substantial information about how a "typical" prison industrial system functions, types of changes needed to upgrade management and rehabilitative functions, ways to significantly reorganize and restructure the prison industry concept, and methods to evaluate the degree to which the objectives set by the National Advisory Commission on Criminal Justice Standards and Goals are being met.

An evaluation effort, including an analysis of the business management and rehabilitative functions of the prison industry system, the development of recommended program changes to create self-supporting prison labor systems and increase the rehabilitative potential of industries by providing the inmate with job skills, good work habits, confidence in the ability to work, and compensation for all work performed.

A technical assistance effort intended to provide the prison system with technical expertise in the areas of management information systems, financial analyses, production analyses, and other technical support required to compliment recommended prison industry changes.

A broad overview of this study can be gleaned from Table 1 which provides a list of the specific major tasks of the study.

[1] Study contract awarded to ECON, Inc. by the National Institute of Law Enforcement and Criminal Justice, Law Enforcement Assistance Administration, U.S. Department of Justice. Contract #J LEAA 023-75, entitled "A Study of The Economic and Rehabilitative Aspects of Prison Industry," June 4, 1975.

TABLE 1.—*Major Tasks of the Prison Industry Study*

Literature Review
Host State Site Selection
Job Market Survey
Job Market Survey
Inmate Manpower Capabilities Survey
Sales Market Survey
Economic and Management Review of Prison Industries
—Production Analysis
—Custodial Analysis
—Profitability Analysis
—Post-Release Placement Services and Information Systems
Recommendations for Prison Industry Reorganization
Technical Assistance

2.0 Study Scope

To provide the committee with an understanding of the scope of the prison industry study in those areas most relevant to it's deliberations on H.R. 2715, a brief description of two of our major tasks—the Literature Review and the Host State Selection—follows.

Literature Review

The Literature Review was undertaken over a period of ten months and constantly revised as new materials were located and reviewed. Altogther, we reviewed and summarized the relevant findings of over 900 books, studies, papers, and newspaper articles concerning prisons, work training programs, and employment for both Federal and State prisons throughout the United States. In addition, we compiled, organized, and summarized the statutes and case laws pertaining to inmate labor and correctional industries in the seven states selected for site visits.

Host State Selection

To develop a broad understanding of how prison industries function and to select a single state where we could undertake an in-depth study, resulting in the formulation and implementation of recommendations for restructuring prison industries there, we visited Colorado, Connecticut, Georgia, Illinois, Minnesota, Pennsylvania, and Washington. In addition, we later had an opportunity to visit and examine the prison industries in Texas. Our team inspected 34 prisons and 80 individual prison industry shops, Where we reviewed their work/training programs, budgets, industry financial reports, institutional inmate records, post-release services, employment services, and information systems. In addition, we interviewed correctional department administrators, central office staff, wardens, institutional staff, prison industry directors, shop supervisors, and inmates.

3.0 Findings

The examination of prison industries in the seven states visited during the Host State Site Selection task resulted in these principle findings.

With rare exceptions, prison industry contributions to the state, the prision, and the inmate worker fall far short of their potential. We see a potential which includes: savings to the state in terms of reduced state agency purchasing expenditures, reduced welfare costs, and reduced costs of incarceration; benefits for the prison in terms of a reduced rate of disciplinary infractions and a more normal social atmosphere; benefits to the inmate worker in terms of increased wages, ability to provide family support ,industrial training, and job placement.

The failure of prison industries to achieve their potential is due to many causes.

4.0 Prison Industry: Problems and Prospects

Prison industries operate in forty-eight states throughout this country. Table 2 presents a possibly oversimpdified, yet useful, taxonomy of the typical problems which we found to affect prison industry operations. The taxonomy is shown in a hierarchical form which corresponds to cause and affect relationships that became apparent to us during the course of the study.

At the lowest level of the hierarchy, there are two problem areas which interact and fed upon each other: prison industry management/operations problems, and the constraints of institutional routine.

The problems of prison industry management/operations have many manifestations. There is a lack of accountability within industry shops for both supervisors and inmate workers. For the latter group, there are often no records kept of time worked, nor time clocks available to provide such data, no job performance standards, nor any systematic performance appraisal reviews with the shop supervisor. For supervisors, there are often no monthly or quarterly sales or production goals to be achieved, and no systematic performance appraisals of shop supervisors by the industry manager. In addition, the inmate workers are frequently assigned and reassigned by the warden or the prison classification committee, rather than the industry manager.

TABLE 2.—*Typical Problems Afflicting Prison Industry Operations*

Political Realities—
Limited Markets—even where state-use laws are present.
Lack of well defined industry goals and standards of accountability to the commissioner.
Constraints of Institutional Routine.
Prison Industry Management Operations Problems:
low wages and productivity
short work days
overstaffing of shops
high overhead
poor financial records and controls
lack of transferrable skills
limited preparation for community release
limited marketing efforts
lack of accountability

Marketing efforts of prison industries are generally severely limited. Often, there is one or no salesman and product catalogs are usually outdated or nonexistent. Prison industry work generally provides very limited preparation for community release. This is due, in part, to the lack of transferrable skills available within industries (outmoded equipment and products usually being the culprits), and, in part, to limited assistance in job placement prior to release from the prison.

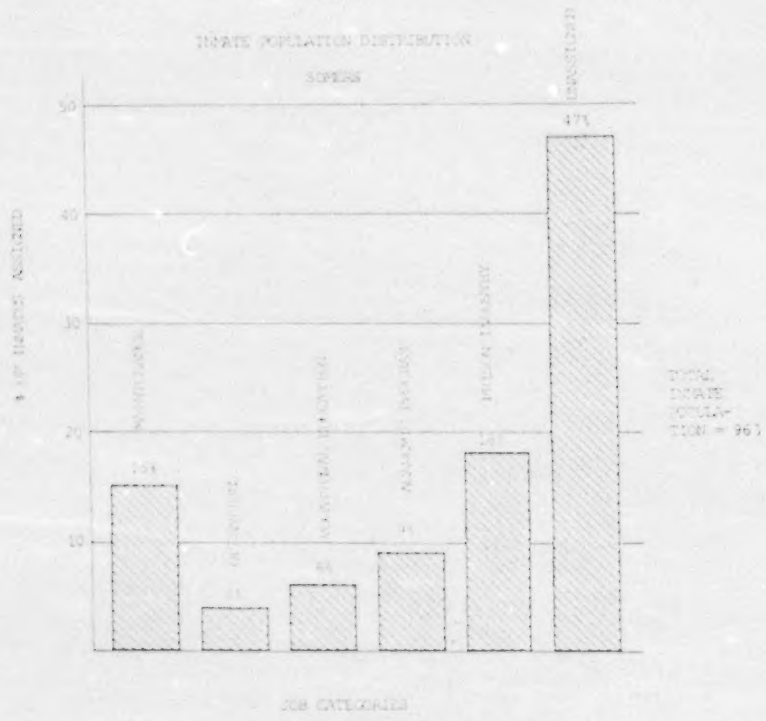
The financial records and controls for prison industry operations are generally poor. Often the industries do not know the true costs of operating a given shop, pricing of products and services often does not reflect—and sometimes does not cover—true cost; industries frequently incur financial losses due to poor to nonexistent financial control systems. In addition, industries frequently suffer from high overhead charges, which usually can be traced to excessive supervisory time per man year of labor. This problem, in turn, can be traced to the overstaffing of shops (For a given volume of work per year, there are typically twice as many inmate workers as necessary,) which, in turn, is related to the short industrial work day of an inmate—typically $3\frac{1}{2}$ to four hours per day after allowing for institutional interruptions.

Lastly, there is the matter of low inmate wages and correspondingly low productivity. Typically inmate industrial workers earn $1 a day or less, with the daily wage for skilled, semiskilled and unskilled workers often the same. Indeed, there is usually little incentive (other than escape from boredom) for an inmate to work in industry, since good time allowances are often more generous for institutional work and sustenance payments to inmate in educational programs frequently equal the wages earned by prison industry workers.

The constraints of institutional routine are closely related to prison industry operations problems, particularly those of low wages and short work days. The inflexibility of the institutional staff work shifts and the activity schedule of the prison severely limit the length of the prison industry work day. Security shakedowns, outside visitors, haircuts, and numerous other activities of prison routine (over 20 types of excused absences in Connecticut) further cut into the already short work day. Concerns for institutional security and tranquility discourage industries from instituting a system of work incentives which would be better than those available to the general inmate population. On the other hand, it is equally true that prison industry management problems impact the constraints of the institutional routine, particularly the "hardness" of those constraints. In the main prison industry management (or lack of management)

encourages wardens and other prison administrators to view industries as one of many prison programs to reduce prison idleness. If the prison warden were presented with an action plan (and a management team to carry it out) which offered the promise of achieving substantial annual growth, a real world industrial work environment, increases in sales and, thereby, cost savings to the state and institution, and job slots providing transferrable skills and preparation for community release, he would be given the necessary motivation to risk disruption of the staff work schedule and the institutional program routine. At the present time there is little justification for any rational prision administrator to disturb (cherished) status quo. This is quite evident in Figure 1,

Figure 1



which shows the distribution of work assignments for the maximum security institution at Somers in Connecticut. It is obvious that the eighteen percent of the inmate population which is involved with prison industry (which, incidentally, is higher than in most prisons we have visited) is not very different in size from those portions of the inmate population involved with educational programs or institutional work. Moreover, the size of these programs is dwarfted by the size of the unassigned labor force which, obviously, is the predominant concern of institutional management.

To solve prison industry management operations problems and to alleviate the constraints of institutional routine, it is necessary to address a higher level problem—namely, the lack of well-defined industry goals and standards of accountability to the commissioner of corrections. In a survey we conducted in the prison systems in six states, industry managers were asked to rank from one to five a number of goals of prison industries (with five being the highest

possible rank and one being the lowest possible rank). Table 3 shows the results of that survey and highlights the nature of the problems of inadequate goals and standards of accountability.

Note that the top two ranked goals pertain to developing attitudes in inmate workers and, as such, are essentially nonmeasureable in any reliable way. The third and fourth ranked goals are reasonably viewed as necessary but insufficient objectives of industrial work programs in prison. Finally, the five lowest ranked goals could all be characterized as relevant and measureable but also high risk for any industrial manager in a prison setting. It appears that either industry managers have little confidence in the industrial capabilities of prison industries, or they perceive little confidence in the industrial capabilities of prison industry on the part of the commissioner of corrections. In any event, it is clear that if industries are to achieve their full potential, well-defined and measureable industrial goals must be articulated by the commissioner for the prison industry management, and standards of accountability must be defined along with a proces for periodic review of prison industry performanc by the commissioner. ECON, Inc. has developed the set of goals shown in Table 4 which define a Free Venture model of prison industries presently under development in the State of Connecticut. Specific standards of accountability for industry managers, prison program evaluation measures, and progress reporting procedures are now being developed with the correctional administration and prison industry managers of Connecticut.

TABLE 3.—*Industry Management Ranking of Prison Industry Goals*

Goals of prison industries:	*Ranking*
To develop in each inmate employed in industries a set of attitudes favorable to work and the work situation	4. 8
To develop in each inmate employed in industries attitudes favorable to living a law-abiding life	4. 6
To develop in each inmate employed in industries the minimum qualifications necessary to hold a job (i.e., general job skills, the ability to follow safety rules, etc.)	4. 4
To constructively occupy the time of the inmate population	4. 1
To provide quality goods for the available markets in the State	4. 0
To provide each inmate employed in industries with a high level of vocational skill	3. 8
To provide low cost goods for the available markets in the State	3. 0
To make a profit	3. 0
To help underwrite the cost of the total correctional program	2. 2

NOTE.—Rank of 5 means very important. Rank of 1 means very unimportant.

TABLE 4.—*Goals of the Free Venture Model for Correctional Industries*

A realistic work environment, including:
—a full work day
—inmate wages based upon work output
—productivity standards comparable to those of outside world business
—hire and fire procedures, within the limits of due process rights
—transferrable training and job skills

Partial reimbursement of the state by inmates for custody and welfare costs as well as restitution payments to victims.

Graduated preparation of inmates for release into community.

Fixing responsibility—with financial incentives and penalties—for job placement of inmates upon release into the community.

Financial incentives to prison industry for successful reintegration of offenders into the community.

Self-supporting or profit-making business operations.

It does little good to formulate measureable industry goals which provide accountability without also furnishing the means to achieve these goals. This leads to a new problem area and one which, in our judgment, is responsible for the relaxed industrial goals which guide the operation of prison industry today. I refer to the problem of limited markets for products and services. Our search of state statutes and case law revealed that there are many state limitations on inmate labor and the sale of inmate made goods and services

within a state. Only a handful of states permit the sale of prison industry products or services on the open market within that state. Many state legislatures adopted laws which restrict the markets for prison industry goods and services to state agencies or agencies of political subdivisions. Some states require their agencies to purchase products from prison industries as long as those items are of satisfactory quality and sell for a price at or below the market price. Such laws are viewed by many as a "guarantee' to state prison industry of a market well beyond its capacity. In practice, however, these guaranteed markets seldom materialize.

Table 5 shows the results of the survey conducted by ECON, Inc. of the state-use market in Connecticut for five specific prison industry shops.

While the state agency sales market was indeed quite large across all of these shops, in each case the record of annual sales shows that only a very small fraction of this potential market was captured. However, the production capacity of the various shops was most certainly not the limiting factor since the production capacity of each shop could support at least a doubling, if not a tripling, of sales actually achieved. In the case of the last three shops shown in Figire 3, the production capacity could support a 10 to 20-fold increase in annual sales.

The limited exploitation by prison industry of guaranteed state markets' goods and services is a common phenomena across the United States. We do not know all of the contributing factors which are responsible for the limited markets reached by (or available to) prison industries. We do know that a host of contributing characteristics will be eliminated once prison industry is given industrial goals and is made accountable to the commissioner of correction for attainment of these goals.

TABLE 5.—STATE-USE PRISON INDUSTRY MARKET IN CONNECTICUT[1]

Shop	Prison industry annual sales	State-use market potential	Percent market captured
Print	$200,000	18,300,000	2.4
Furniture	204,000	(2)	3.4-4
Typewriter repair	4,000	700,000	.6
Optical shop	6,000	175,000	3.4
Dental laboratory	16,000	700,000	2.3

[1] Data for fiscal year ending 1975.
[2] $5 to $6 million.

It is at this point that the major contributing problem remains to be resolved: that is, the political realities surrounding prison industry operations. Since the 1920s (except for the period during World War II) prison industry has been forced to operate in a low profile mode. Federal legislation, specially the Hawes-Cooper Act (passed in 1929), played a major role in the decline of prison industry. Within four years of the passage of this act, 21 states had passed more restrictive legislation concerning inmate labor and prison industry markets. Then, as now, there was legitimate political concern over the perceived threat which prison industry represented to organized labor and private industry. Our review of the historical trends of prison industry in the past 70 years provides ample documentation of the dominant role which these perceptions have exercised in limiting prison industry markets. Over the past five years, significant countertrends have emerged. Six states now have legislation which authorizes the sale of prison industry products on the open market within the state. The State of Minnesota has expanded its prison industry operations by inviting private industries into the prison to set up and run industrial operations. Both private industry and organized labor in the State of Minnesota were very receptive to this program. In a recent study of prison industry in South Carolina, a number of private firms expressed interest in assisting in the development of an expanded, real world prison industry work program. In the State of Connecticut, organized labor has instituted formal apprenticeship training programs in connection with several prison industries.

In short, the political climate surrounding prison industry operations is ripe for change. Recent trends, while helpful and encouraging, need to be given added significant impetus by Federal Government legislative initiatives. Unless the low profile operating mode, which was forced upon prison industry by the

political realities of the times can be lifted, few substantial improvements can be realized from efforts devoted to lower level, subsidiary problem areas.

5.0 Conclusions

We are convinced that it is possible for Correctional Industries to realize its full potential to the state, the prison, and the inmate worker by operating its shops as closely as possible to the outside world of business. H.R. 2715 can help bring this about in three ways:

This passage of this Bill will remove an existing federal constraint on the available markets for prison made goods.

The passage of this Bill will encourage state legislatures to revise their own restrictive legislation regarding the markets for prison made goods.

This Bill requires those state prison industries who would sell inmate made goods in the interstate market to imitate private industry, not only in the matter of wages, but as a consequence of economic necessity, in the matters of productivity and real world, work environment as well.

THE COMMONWEALTH OF MASSACHUSETTS,
EXECUTIVE DEPARTMENT,
State House, Boston, June 9, 1976.

Congressman JOHN H. DENT,

Chairman, Committee on Education and Labor, Subcommittee on Labor Standards, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN DENT: On behalf of the Commonwealth, I would like to enter the following comments for the record on H.R. 2715.

Over the past several years, the prison industries programs in Massachusetts, and other jurisdictions across the country, have failed to fulfill the expectations of prison administrators, inmates and the public. The program has generally deteriorated to a group of production lines geared to limited government markets and labeled by both the offender and the public as prison products. Implied in the labeling is inferiority of both quality and workmanship.

The Commonwealth's Department of Correction believes that successful participation in a real work experience has both an inherent therapeutic benefit for the inmate and an economic benefit for the Commonwealth.

Approximately 40% of the people currently incarcerated in Massachusetts are serving sentences for crimes with an apparent economic motivation (burglary, larceny, armed robbery). It is reasonably clear from a profile of the offender population, that lack of saleable skills and poor experience in work environments are at least contributing factors in the pathology of criminal behavior. For instance,

—the occupational levels of those people incarcerated shows that 39.4% were semi-skilled in a manual skill, 11.3% were unskilled with previous work experience limited to manual labor, and 25.6% had previous experience only in service industries.

—approximately 50% of the offender population has spent no more than 12 months at the most skilled position held, and 31% had spent less than 6 months at that level.

—only 20.2% of the offender population has completed high school.

The average offender is young, under educated, and generally unskilled. He has a sketchy erratic work history with intermittent periods of unemployment and limited or unrealistic expectations of work.

The economics of incarceration and the maintenance of a group of unproductive people is staggering. It cost the Commonwealth approximately $13,870 per year to keep each inmate incarcerated during which time he, and usually his family as well, are dependent on the state. Until offenders are eligible for work-release, (within 18 months of parole eligibility) incarcerated offenders generate no income, pay no taxes and generally do not contribute to the support of their families.

In addition to the direct cost of housing and maintaining the offender population the foregone tax revenues incurred by keeping that population in prisons and without job amounts approximately to $1300 per man per year, based on the minimum wage. At that rate, $2,680,000 is foregone in potential state and federal tax revenue each year from the relatively small number of people

incarcerated in Massachusetts. The secondary cost of state aid to the families of incarcerated offenders could add as much as additional $2 million to the indirect cost of incarceration. The resultant combined direct and indirect cost of incarceration is close to $16,000 per man per year.

Under the leadership of Frank A. Hall, the state's Commissioner of Corrections, our prison industries program is undergoing a thorough review. One of the alternatives under consideration was initiated by a local firm which expressed interest in opening a branch plant inside a major correctional facility using the inmate population as a labor pool from which to hire the required employees. The inmate/employee would have been paid wages competitive with those paid to other employees of the company performing similar work; the same fringe benefit package would have been provided for inmate/employees as for other company personnel. An outside work environment would have been replicated as closely as possible within the constraints of the institution.

In addition to the inherent rehabilitative effects of a reasonably consistent and successful work experience, it was expected that additional benefits would accrue to the Commonwealth:

—the offender would be paying state and federal taxes on earned income while incarcerated.

—the offender would be contributing an amount determined by the Department to help defray the cost of his incarceration.

—where appropriate, the offender would be able to contribute to the support of his family.

After careful examination of the issues and potential problems, we discovered that the largest obstacles to developing such programs were found in federal statutes which restrict the interstate transportation of prison made goods (18 USC 1761) and divest prison made goods of interstate character (49 USC 60). These restrictions virtually prohibit the development of a prison industry system in conjunction with the private sector.

H.R. 2715 would remove the current blanket restriction on the distribution of prison made products while protecting the interests of both labor and private industry by requiring wages comparable with the prevailing market. The constraints imposed by the nature of correctional institutions will, in my judgment, restrain any business with an adequate labor pool on the outside from developing programs which would utilize inmate labor. The resulting impact on local economies would be minimal.

I would like to thank you and the members of the subcommittee for the forum to express my support of this bill, and urge your favorable action on it.

Sincerely,

THOMAS P. O'NEILL, III,
Lieutenant Governor.